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Volume 48

The 2007 Reissue of Volume 48 contains the titles TRADE MARKS AND TRADE NAMES, and TRUSTS. **This volume replaces the 4th Edn (Reissue) Volume 48 (2000) which may now be archived.**

With the publication of Volume 48 (2007 Reissue), a complete set of Halsbury's Laws of England now contains the following volumes (bold figures represent reissue volumes):

1(1) (2001 Reissue), **1(2)** (2007 Reissue), **2(1)**, **2(2)**, **2(3)**, **3(1)** (2005 Reissue), **3(2)** (2002 Reissue), **4(1)** (2002 Reissue), **4(2)** (2002 Reissue), **4(3)**, **5(1)** (2004 Reissue), **5(2)** (2001 Reissue), **5(3)**, **6** (2003 Reissue), **7(1)** (2004 Reissue), **7(2)** (2004 Reissue), **7(3)** (2004 Reissue), **7(4)** (2004 Reissue), **8(1)** (2003 Reissue), **8(2)**, **8(3)**, **9(1)**, **9(2)** (2006 Reissue), **10**, **11(1)** (2006 Reissue), **11(2)** (2006 Reissue), **11(3)** (2006 Reissue), **11(4)** (2006 Reissue), **12(1)**, **12(2)** (2007 Reissue), **12(3)** (2007 Reissue), **13** (2007 Reissue), 14, **15(1)** (2006 Reissue), **15(2)** (2006 Reissue), **15(3)** (2007 Reissue), **15(4)** (2007 Reissue), **16(1A)**, **16(1B)**, **16(2)**, **17(1)**, **17(2)**, **18(1)**, **18(2)**, **19(1)**, **19(2)**, **20(1)**, **20(2)**, **21** (2004 Reissue), **22** (2006 Reissue), **23(1)**, **23(2)**, **24**, **25** (2003 Reissue), **26** (2004 Reissue), **27(1)** (2006 Reissue), **27(2)** (2006 Reissue), **27(3)** (2006 Reissue), **28**, **29(1)**, **29(2)**, **29(3)**, **30(1)**, **30(2)**, **31** (2003 Reissue), **32** (2005 Reissue), **33**, **34**, **35**, **36(1)** (2007 Reissue), **36(2)**, **37**, **38** (2006 Reissue), **39(1)**, **39(2)**, **40(1)**, **40(2)**, **41** (2005 Reissue), **42**, **43(1)**, **43(2)**, **44(1)**, **44(2)**, **45(1)** (2005 Reissue), **45(2)**, **46(1)**, **46(2)**, **46(3)**, **47** (2001 Reissue), **48** (2007 Reissue), **49(1)** (2005 Reissue), **49(2)** (2004 Reissue), **49(3)** (2004 Reissue), **50** (2005 Reissue), 51, 52, **53(1)** (2007 Consolidated Table of Statutes), **53(2)** (2007 Consolidated Table of Statutory Instruments, etc), **54(1)** (2007 Consolidated Table of Cases A–L), **54(2)** (2007 Consolidated Table of Cases M–Z, ECJ Cases), **55** (2006 Consolidated Index A–E), **56** (2006 Consolidated Index F–O), **57** (2006 Consolidated Index P–Z).

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Lord High Chancellor of Great Britain
1987–97

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LORD HIGH CHANCELLOR OF GREAT BRITAIN

1987–97

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The law stated in this volume is in general that in force on 30 June 2007, although subsequent changes have been included wherever possible.

Any future updating material will be found in the Current Service and annual Cumulative Supplement to Halsbury's Laws of England.

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REFERENCES AND ABBREVIATIONS

ACT	Australian Capital Territory
A-G	Attorney General
Admin	Administrative Court
Admlty	Admiralty Court
Adv-Gen	Advocate General
affd	affirmed
affg	affirming
Alta	Alberta
App	Appendix
art	article
Aust	Australia
B	Baron
BC	British Columbia
C	Command Paper (of a series published before 1900)
c	chapter number of an Act
CA	Court of Appeal
CAC	Central Arbitration Committee
CA in Ch	Court of Appeal in Chancery
CB	Chief Baron
CCA	Court of Criminal Appeal
CCR	County Court Rules 1981 (SI 1981/1687) as subsequently amended
CCR	Court for Crown Cases Reserved
C-MAC	Courts-Martial Appeal Court
CO	Crown Office
COD	Crown Office Digest
CPR	Civil Procedure Rules 1998 (SI 1998/3132) as subsequently amended (see the Civil Court Practice)
Can	Canada
Cd	Command Paper (of the series published 1900–18)
Cf	compare
Ch	Chancery Division
ch	chapter
cl	clause
Cm	Command Paper (of the series published 1986 to date)
Cmd	Command Paper (of the series published 1919–56)

Cmnd	Command Paper (of the series published 1956–86)
Comm	Commercial Court
Comr	Commissioner
Court Forms (2nd Edn)	Atkin's Encyclopaedia of Court Forms in Civil Proceedings, 2nd Edn. See note 2 post.
Court Funds Rules 1987	Court Funds Rules 1987 (SI 1987/821) as subsequently amended
DC	Divisional Court
DPP	Director of Public Prosecutions
EAT	Employment Appeal Tribunal
EC	European Community
ECJ	Court of Justice of the European Community
EComHR	European Commission of Human Rights
ECSC	European Coal and Steel Community
ECtHR Rules of Court	Rules of Court of the European Court of Human Rights
EEC	European Economic Community
EFTA	European Free Trade Association
EWCA Civ	Official neutral citation for judgments of the Court of Appeal (Civil Division)
EWCA Crim	Official neutral citation for judgments of the Court of Appeal (Criminal Division)
EWHC	Official neutral citation for judgments of the High Court
Edn	Edition
Euratom	European Atomic Energy Community
Ex Ch	Court of Exchequer Chamber
ex p	ex parte
Fam	Family Division
Fed	Federal
Forms & Precedents (5th Edn)	Encyclopaedia of Forms and Precedents other than Court Forms, 5th Edn. See note 2 post.
GLC	Greater London Council
HC	High Court
HC	House of Commons
HK	Hong Kong
HL	House of Lords
IAT	Immigration Appeal Tribunal
ILM	International Legal Materials
INLR	Immigration and Nationality Law Reports
IRC	Inland Revenue Commissioners
Ind	India
Int Rels	International Relations
Ir	Ireland
J	Justice
JA	Judge of Appeal
Kan	Kansas

LA	Lord Advocate
LC	Lord Chancellor
LCC	London County Council
LCJ	Lord Chief Justice
LJ	Lord Justice of Appeal
LoN	League of Nations
MR	Master of the Rolls
Man	Manitoba
n	note
NB	New Brunswick
NI	Northern Ireland
NS	Nova Scotia
NSW	New South Wales
NY	New York
NZ	New Zealand
OHIM	Office for Harmonisation in the Internal Market
OJ	The Official Journal of the European Community published by the Office for Official Publications of the European Community
Ont	Ontario
P	President
PC	Judicial Committee of the Privy Council
PEI	Prince Edward Island
Pat	Patents Court
q	question
QB	Queen's Bench Division
QBD	Queen's Bench Division of the High Court
Qld	Queensland
Que	Quebec
r	rule
RDC	Rural District Council
RPC	Restrictive Practices Court
RSC	Rules of the Supreme Court 1965 (SI 1965/1776) as subsequently amended
reg	regulation
Res	Resolution
revsd	reversed
Rly	Railway
s	section
SA	South Africa
S Aust	South Australia
SC	Supreme Court
SI	Statutory Instruments published by authority
SR & O	Statutory Rules and Orders published by authority
SR & O Rev 1904	Revised Edition comprising all Public and General Statutory Rules and Orders in force on 31 December 1903

SR & O Rev 1948	Revised Edition comprising all Public and General Statutory Rules and Orders and Statutory Instruments in force on 31 December 1948
SRNI	Statutory Rules of Northern Ireland
STI	Simon's Tax Intelligence (1973–1995); Simon's Weekly Tax Intelligence (1996-current)
Sask	Saskatchewan
Sch	Schedule
Sess	Session
Sing	Singapore
TCC	Technology and Construction Court
TS	Treaty Series
Tanz	Tanzania
Tas	Tasmania
UDC	Urban District Council
UKHL	Official neutral citation for judgments of the House of Lords
UKPC	Official neutral citation for judgments of the Privy Council
UN	United Nations
V-C	Vice-Chancellor
Vict	Victoria
W Aust	Western Australia
Zimb	Zimbabwe

NOTE 1. A general list of the abbreviations of law reports and other sources used in this work can be found at the beginning of vol 54 (Reissue) Consolidated Table of Cases.

NOTE 2. Where references are made to other publications, the volume number precedes and the page number follows the name of the publication; eg the reference '12 Forms & Precedents (5th Edn) 44' refers to volume 12 of the Encyclopaedia of Forms and Precedents, page 44.

NOTE 3. An English statute is cited by short title or, where there is no short title, by regnal year and chapter number together with the name by which it is commonly known or a description of its subject matter and date. In the case of a foreign statute, the mode of citation generally follows the style of citation in use in the country concerned with the addition, where necessary, of the name of the country in parentheses.

NOTE 4. A statutory instrument is cited by short title, if any, followed by the year and number, or, if unnumbered, the date.

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1. INTRODUCTION

1. Scope of title and historical background. This title deals primarily with registered trade marks[1] and passing off[2]. Registered trade marks can be either United Kingdom registered trade marks, or Community trade marks[3] which are applied for in respect of, and have effect throughout, the territory of the European Community. In addition, protection can be obtained[4] for a protected international trade mark (UK)[5], and this protection is for almost all purposes equivalent to a United Kingdom registration. This title also deals with statutory marks of various kinds, hallmarking and similar matters.

In early times trade and industry were concentrated in London and other large towns where the merchants and craftsmen organised themselves into guilds. Many guilds were established as corporations either by statute or by charter[6] and the trade and craft of these were supervised under byelaws. Those statutes and byelaws contained provisions for the allocation and use of trade marks[7]. Sometimes the use of trade marks was made compulsory to avoid deceit[8]. With the onset of the industrial revolution the guilds lost control over manufacturers, and as commerce grew, the courts responded to commercial need by developing both the common law tort of passing off and, in equity, a specialised form of property in a trade mark which had been put into public use[9].

Both because litigation was expensive and because there was a need for greater certainty as to what trade marks were already the property of others, trade mark registration was introduced by the Trade Marks Registration Act 1875. That Act created the register of trade marks[10] and set the basic structure[11] for all successive legislation[12] until the mainly new law embodied in the Trade Marks Act 1994. The Trade Marks Registration Act 1875 provided that registration of a trade mark should be deemed to be equivalent to public use of the mark concerned[13]. That Act also provided that no proceedings for infringement of a trade mark could be brought unless and until the mark had been registered[14]. A general law concerning the use of false trade descriptions was introduced and the common law tort of passing off continued to develop.

In 1994 much of the law of registered trade marks within the United Kingdom was revised in order to bring its substantive provisions into line with a harmonised European Community approach[15], and subsequently the right to obtain Community trade marks was introduced by EC Regulation[16]. Today the main branches of the law, so far as private rights are concerned, are United Kingdom and Community registered trade marks, and passing off. So far as public rights are concerned, the matters are now covered by the Trade Descriptions Act 1968. This title does not cover the law relating to false trade descriptions, which more properly fits with the general law of consumer protection[17].

1 As to the meaning of 'registered trade mark' see para 127 post.
2 As to passing off see para 304 et seq post.
3 As to Community trade marks see para 176 et seq post.
4 Ie under the Madrid Protocol via the International Bureau of the World Intellectual Property Organisation at Geneva: see para 11 et seq post. As to the Madrid Protocol see para 8 post.
5 For the meaning of 'protected international trade mark (UK)' see para 13 post.
6 As to the development of guilds see CORPORATIONS vol 9(2) (2006 Reissue) para 1305 et seq.
7 However, the legal validity of such provisions was not always upheld by the courts: see *Blanchard v Hill* (1742) 2 Atk 484, 26 ER 692, where the Court of Chancery rejected a claim for an injunction to protect the 'Mogul' mark for playing cards based on the provisions of a charter which the court held to amount to the grant of an illegal monopoly.
8 Eg those relating to gold and silver.
9 The history of this form of property is described in detail in *Berlei (UK) Ltd v Bali Brassiere Co Inc* [1969] 2 All ER 812, [1969] 1 WLR 1306, [1969] RPC 472, HL; and *General Electric Co v General Electric Co Ltd* [1972] 2 All ER 507 at 518–520, [1972] 1 WLR 729 at 742–743, [1973] RPC 297 at 325–327, HL, per Lord Diplock.

10 See the Trade Marks Registration Act 1875 s 1 (repealed).
11 A considerable number of embellishments were, however, added over the years.
12 Ie the Trade Marks Registration Amendment Act 1876, the Trade Marks Registration Extension Act 1877, the Patents, Designs and Trade Marks Act 1883, the Patents, Designs and Trade Marks Act 1888, the Trade Marks Act 1905, the Trade Marks Act 1919, the Trade Marks (Amendment) Act 1937, the Trade Marks Act 1938 and the Trade Marks (Amendment) Act 1984. All those Acts have been repealed.
13 See the Trade Marks Registration Act 1875 s 2 (repealed).
14 See the Trade Marks Registration Act 1875 s 1 (repealed). This provision has been re-enacted ever since and is now contained in the Trade Marks Act 1994 s 2(2): see para 416 post. But for this provision it might be argued that the equitable trade mark could co-exist with registered trade marks. Unregistered marks in use can affect the registrability of later marks: see para 77 post.
15 Ie by the Trade Marks Act 1994, passed principally to give effect to EC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks: see para 5 post.
16 Ie by EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trademark: see para 176 et seq post.
17 See SALE OF GOODS AND SUPPLY OF SERVICES vol 41 (2005 Reissue) para 383 et seq.

2. REGISTERED TRADE MARKS IN THE UNITED KINGDOM

(1) LEGISLATION AND INTERNATIONAL BACKGROUND

(i) Domestic Legislation

2. The Trade Marks Act 1994 and its interpretation. Domestic legislation relating to trade marks is mainly contained in the Trade Marks Act 1994. That Act repealed[1] all previous legislation[2] relating to trade marks. Its stated purpose[3] is: (1) to make new provision for registered trade marks[4], implementing the Trade Marks Directive[5]; (2) to make provision in connection with the Community Trade Mark Regulation[6]; (3) to give effect to the Madrid Protocol[7] and to certain provisions of the Paris Convention[8]; and (4) for connected purposes. In addition it has been amended to give effect to certain provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights ('TRIPs')[9]. The Trade Marks Act 1994 is not stated to be an amending Act. Many of its main provisions are derived from provisions of the Trade Marks Directive, both the mandatory and most of the optional provisions. Where such provisions fall to be implemented by the registrar[10], the Trade Marks Directive is binding upon him[11]. In any event, the relevant provisions of the Trade Marks Act 1994 must be construed so far as possible in accordance with the Trade Marks Directive[12]. Furthermore, both the Trade Marks Act 1994 and the Trade Marks Directive must so far as possible be construed in accordance with the relevant provisions of TRIPs[13]. Other provisions of the Trade Marks Act 1994 are not derived from that Directive and so will fall to be construed in accordance with the normal rules of statutory interpretation[14]. In appropriate cases concerning domestic provisions it may be legitimate to refer to Hansard[15] or the White Paper[16] which preceded the passing of the Act.

1 Ie except for certain administrative provisions contained in the Patents and Designs Act 1907 relating to arrangements for the setting up of the Patent Office and the appointment of staff: see ss 62–64 (as amended); and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) paras 662, 664, 666. Note that the Patent Office is now operating under the name 'the UK Intellectual Property Office': see the UK Intellectual Property Office Name Change Fact Sheet.

2 Ie the Trade Marks Act 1938.

3 See the long title to the Trade Marks Act 1994. As to the status of long titles see STATUTES vol 44(1) (Reissue) para 1264.

4 As to the meaning of 'registered trade mark' see para 127 post.

5 Ie EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks: see para 5 post.

6 Ie EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark: see para 176 post.

7 Ie the Protocol relating to the Madrid Agreement Concerning the International Registration of Marks (Madrid, 27 June 1989; Cmnd 1601): see para 8 post.

8 Ie the International Convention for the Protection of Industrial Property (Paris, 20 March 1883) (the 'Paris Convention'), as revised (Stockholm, 14 July 1967 to 13 January 1968; TS 61 (1970); Cmnd 4431). As to the Paris Convention see para 6 ante.

9 The Patents and Trade Marks (World Trade Organisation) Regulations 1999, SI 1999/1899, Pt IV amended the Trade Marks Act 1994 in order to give effect to certain provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights (OJ L336, 23.12.94, p 214). This Agreement comprises Annex 1C to the Agreement Establishing the World Trade Organisation (Marrakesh, 15 April 1994; Cm 2556–2559; Cm 2561–2569; Cm 2571–2574). It was ratified by the United Kingdom on 15 September 1994 and entered into force on 1 January 1996: see para 7 post.

10 As to the registrar see para 17 post.

11 *MISTER LONG Trade Mark* [1998] RPC 401, Appointed Person; *Nettec Solutions Ltd's Trade Mark Application* [2003] RPC 308, Appointed Person; *Sensornet Ltd's Trade Mark Application* [2007] RPC 185, Appointed Person; *CITYBOND Trade Mark* [2007] RPC 301, Appointed Person.

12 See para 5 note 3 post.

13 Case C-53/96 *Hermès International Société en commandite par actions, Paris v FHT Marketing Choice BV* [1998] ECR I-3603, [1999] RPC 107, [1998] All ER (D) 275, ECJ; Joined Cases C-300/98 and C-392/98 *Parfums Christian Dior SA v TUK Consultancy BV* [2000] ECR I-11307, ECJ; Case C-89/99 *Schieving-Nijstad vof v Groeneveld* [2001] ECR I-5851, [2002] IP & T 353, ECJ; Case C-245/02 *Anheuser-Busch Inc v Budejovicky Budvar NP* [2004] ECR I-10989, [2007] IP & T 348, [2004] All ER (D) 271 (Nov), ECJ. As to TRIPs see para 7 post.

14 As to the rules of statutory interpretation see STATUTES vol 44(1) (Reissue) para 1369 et seq.

15 Reference to parliamentary materials is allowed where: (1) legislation is ambiguous or obscure or the literal meaning leads to an absurdity; (2) the material relied on consists of statements by a minister or other promoter of the Bill which leads to the enactment of the legislation together, if necessary, with such other parliamentary material as is necessary to understand such statements and their effect; and (3) the statements relied on are clear: *Pepper (Inspector of Taxes) v Hart* [1993] AC 593, [1993] 1 All ER 42, HL; *R v Secretary of State for the Environment, Transport and the Regions, ex p Spath Holme Ltd* [2001] 2 AC 349, [2001] 1 All ER 195, HL; *Wilson v First County Trust (No 2)* [2003] UKHL 40, [2004] 1 AC 816, [2003] 4 All ER 97; and see STATUTES vol 44(1) (Reissue) para 1372. It is not, however, appropriate to refer to Hansard or the White Paper to construe a provision of the Trade Marks Act 1994 which derives from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1): *British Sugar plc v James Robertson & Sons Ltd* [1996] RPC 281, [1996–97] ETMR 118.

For proceedings in the House of Lords prior to the passing of the Trade Marks Act 1994 see 550 HL Official Report (5th series), col 749 (2nd Reading, 6 December 1993), Committee Stage (13–20 January 1994); 552 HL Official Report (5th series), col 728 (Report, 24 February 1994); 553 HL Official Report (5th series), col 69 (3rd Reading, 14 March 1994); and 556 HL Official Report (5th series), col 2105 (Commons' amendments, 15 July 1994). For proceedings in the House of Commons prior to the passing of the Trade Marks Act 1994 see 241 HC Official Report (6th series), col 658 (2nd Reading, 18 April 1994); HC Official Report, SC B (Trade Marks Bill) (Committee, 17 May 1994); 245 HC Official Report (6th series), col 78 (remaining stages, 20 June 1994).

16 Ie *Reform of Trade Marks Law* (Cm 1203).

3. Territorial scope. The Trade Marks Act 1994 extends to England and Wales, Scotland and Northern Ireland[1]; and it also extends to the Isle of Man, subject to such exceptions and modifications as Her Majesty may specify by Order in Council[2].

For the purposes of the Act, the territorial waters of the United Kingdom[3] are treated as part of the United Kingdom[4]; and that Act applies to things done in the United Kingdom sector of the continental shelf[5] on a structure or vessel which is present there for purposes directly connected with the exploration of the sea bed or subsoil or the exploitation of their natural resources as it applies to things done in the United Kingdom[6].

A trade mark registered in the United Kingdom is property situated there even though it is the mark of a foreign owner[7].

1 Trade Marks Act 1994 s 108(1).

2 Ibid s 108(2). Under this power, the Trade Marks Act 1994 (Isle of Man) Order 1996, SI 1996/729 (amended by SI 2002/3148; SI 2004/1497) has been made. Subject to that Order in Council, references in the Trade Marks Act 1994 to the United Kingdom are to be construed as including the Isle of Man (s 108(2)); and in the Trade Marks Rules 2000, SI 2000/136, 'United Kingdom' includes the Isle of Man (r 2(1)). 'United Kingdom' means Great Britain and Northern Ireland: Interpretation Act 1978 s 5, Sch 1. 'Great Britain' means England, Scotland and Wales: Union with Scotland Act 1706, preamble art I; Interpretation Act 1978 s 22(1), Sch 2 para 5(a). Neither the Channel Islands nor the Isle of Man are within the United Kingdom. See further CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) para 3.

3 As to the territorial waters of the United Kingdom see the Territorial Sea Act 1987 s 1; and FOREIGN RELATIONS LAW vol 18(2) (Reissue) paras 700–701.

4 Trade Marks Act 1994 s 107(1).

5 For these purposes, 'the United Kingdom sector of the continental shelf' means the area designated by Order in Council under the Continental Shelf Act 1964 s 1(7) (as amended) (see FUEL AND ENERGY vol 19(2) (Reissue) para 1411): Trade Marks Act 1994 s 107(3).

6 Ibid s 107(2).

7 See eg *RJ Reuter Co Ltd v Mulhens* [1954] Ch 50 at 95–96, [1953] 2 All ER 1160 at 1183, 70 RPC 235 at 257, CA, per Romer LJ; *Adrema Werke Maschinenbau GmbH v Custodian of Enemy Property and*

Administrator of German Enemy Property [1957] RPC 49 at 56, CA, per Lord Evershed MR, and at 59 per Jenkins LJ. It is presumed that the same applies to protected international trade marks (UK).

4. Commencement, savings and transitional provisions. All the provisions of the Trade Marks Act 1994 came into force on 31 October 1994[1]. Existing trade marks[2] registered under the old law[3] were transferred to the register kept under the Trade Marks Act 1994 and have effect[4] as if registered under that Act[5]. Applications for registration of trade marks which were pending[6] on 31 October 1994 must be dealt with under the old law[7], unless the applicant opts to convert the pending application into an application under the Act[8]. Marks registered as a series under the Trade Marks Act 1938[9] continue to be so registered in the new register[10]. The former system of association of marks[11] is not continued by the Trade Marks Act 1994[12]. Under that Act there is no system for imposing conditions upon registration so that any conditions imposed upon trade marks already registered on 31 October 1994 ceased to have effect on that date[13]. A disclaimer or limitation in place on the former register in relation to an existing registered mark immediately before 31 October 1994 was transferred to the new register[14]. Activities which were lawful under the Trade Marks Act 1938 are protected under the Trade Marks Act 1994[15].

1 Trade Marks Act 1994 s 109(1); Trade Marks Act 1994 (Commencement) Order 1994, SI 1994/2550, art 2. Different days might, however, be appointed for different provisions and different purposes: Trade Marks Act 1994 s 109(1). For transitional provisions generally see s 105, Sch 3.
2 For these purposes, 'existing registered mark' means a trade mark, certification trade mark or service mark registered under the Trade Marks Act 1938 immediately before 31 October 1994: Trade Marks Act 1994 Sch 3 para 1(1).
3 For these purposes, 'the old law' means the Trade Marks Act 1938 and any other enactment or rule of law applying to existing registered marks immediately before 31 October 1994: Trade Marks Act 1994 Sch 3 para 1(1).
4 Ie subject to the provisions of ibid Sch 3.
5 See ibid Sch 3 para 2; and para 19 post.
6 For these purposes, an application is to be treated as pending on 31 October 1994 if it was made but not finally determined before that date (Sch 3 para 1(2)(a)); and the date on which it was made is to be taken to be the date of filing under the Trade Marks Act 1938 (Trade Marks Act 1994 Sch 3 para 1(2)(b)).
7 See ibid Sch 3 para 10; and para 363 note 5 post.
8 See ibid Sch 3 para 11; and para 363 note 5 post.
9 Ie under the Trade Marks Act 1938 s 21(2) (repealed).
10 See the Trade Marks Act 1994 Sch 3 para 2(2); and para 19 note 16 post.
11 Ie under the Trade Marks Act 1938 s 23 (repealed).
12 See the Trade Marks Act 1994 Sch 3 para 2(3); and para 19 note 17 post.
13 See ibid Sch 3 para 3(1); and para 19 note 14 post.
14 See ibid Sch 3 para 3(2); and para 19 note 14 post.
15 See ibid Sch 3 para 4(2); and para 97 post.

(ii) International Legislation

5. The Trade Marks Directive. The Trade Marks Act 1994 was passed[1] (inter alia) to implement the Trade Marks Directive[2]. The main provisions of the Act are closely modelled on provisions, both mandatory and optional, of that Directive. Accordingly it is a principle of EC law that the Trade Marks Act 1994 must be construed, so far as possible, to be in accordance with that Directive[3]. That may in turn involve questions of interpretation of that Directive. Such questions can be, and in appropriate cases are, referred to the European Court of Justice[4]. Although the 'Statements for Entry in the Minutes of the Council Meeting at which the Directive is adopted' apparently prepared by the European Council and Commission have been published by the Office for Harmonisation in the Internal Market[5], it seems clear that those statements cannot be used in construing the Directive[6], particularly since the adoption of the Directive was, as

stated in the recitals, in co-operation with the European Parliament and the Economic and Social Committee, both of which bodies were not parties to the entries in the minutes.

The purposes of the Directive are, as is usual, set out in the recitals. The main purpose is not comprehensive harmonisation of the whole field of trade mark law; it is limited to approximating those national provisions of law which most directly affect the functioning of the internal market[7]. Many procedural matters are left to member states[8], and the right to protect trade marks acquired through use is preserved to the member states[9].

The provisions of the Directive correspond closely to the substantive provisions of the Community Trade Mark Regulation[10].

1 See the long title to the Trade Marks Act 1994. As to the status of long titles see STATUTES vol 44(1) (Reissue) para 1264.

2 Ie EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks.

3 See Case C-106/89 *Marleasing SA v La Comercial Internacional de Alimentación SA* [1990] ECR I-4135, [1992] 1 CMLR 305, ECJ.

4 Cases in which questions of interpretation of the Directive have been referred to the European Court of Justice by English courts include: *Scandecor Development AB v Scandecor Marketing AB* [2001] UKHL 21, [2001] IP & T 676, [2002] FSR 122 (questions referred to European Court of Justice but case settled prior to ruling); Joined Cases C-414/99 to C-416/99 *Zino Davidoff SA v A & G Imports Ltd* [2002] Ch 109, [2001] ECR I-8691, ECJ; Case C-143/00 *Boehringer Ingelheim KG v Swingward Ltd* [2003] Ch 27, [2002] ECR I-3759, ECJ; Case C-299/99 *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* [2003] Ch 159, [2002] ECR I-5475, ECJ; Case C-206/01 *Arsenal Football Club plc v Reed* [2003] Ch 454, [2002] ECR I-10273, ECJ; Case C-259/02 *La Mer Technology Inc v Laboratoires Goemar SA* [2004] ECR I-1159, ECJ; Case C-404/02 *Nichols plc v Registrar of Trade Marks* [2004] ECR I-8499, [2005] All ER (EC) 1, ECJ; Case C-353/03 *Société des Produits Nestlé SA v Mars UK Ltd* [2005] ECR I-6135, [2006] All ER (EC) 348, ECJ; Case C-259/04 *Emanuel v Continental Shelf 128 Ltd* [2006] IP & T 887, sub nom *Elizabeth Florence Emanuel v Continental Shelf 128 Ltd* [2006] ETMR 56, ECJ; *O2 Holdings Ltd v Hutchison 3G Ltd* [2006] EWCA Civ 1656, [2007] RPC 407, [2007] ETMR 19.

5 OJ OHIM 5/96 p 606. As to the Office for Harmonisation in the Internal Market see para 180 et seq post.

6 Case C-245/02 *Anheuser-Busch Inc v Budejovicky Budvar NP* [2004] ECR I-10989, [2007] IP & T 348, [2004] All ER (D) 271 (Nov), ECJ. The true meaning of rules of EC law can be derived only from those rules themselves, having regard to their context; the meaning cannot be affected by a statement by the member states inserted in the minutes of the EC Council meeting relating to the adoption of the act in question: Case 237/84 *Re Business Transfer Directive, EC Commission v Belgium* [1986] ECR 1247 at 1256, [1988] 2 CMLR 865 at 873, ECJ; Case C-292/89 *R v Immigration Appeal Tribunal, ex p Antonissen* [1991] ECR I-745, [1991] 2 CMLR 373, ECJ; Case C-306/89 *Re Transport Workers, EC Commission v Greece* [1991] ECR I-5863, [1994] 1 CMLR 803, ECJ; Joined Cases C-197/94 and C-252/94 *Société Bautiaa v Directeur Service Fiscaux des Landes* [1996] ECR I-505, ECJ. See also *Wagamama Ltd v City Centre Restaurants plc* [1995] FSR 713, [1996] ETMR 23; Case R 46/1992–2 *Giacomelli Sport SpA's Application* [2000] ETMR 277, OHIM Board of Appeal.

7 EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) 3rd recital.

8 Member states remain free to fix the provisions of procedure concerning the registration, the revocation and the invalidity of trade marks acquired by registration; they can e g determine the form of trade mark registration and invalidity procedures, decide whether earlier rights should be invoked either in the registration procedure or in the invalidity procedure or in both and, if they allow earlier rights to be invoked in the registration procedure, have an opposition procedure or an ex officio examination procedure or both; member states remain free to determine the effects of revocation or invalidity of trade marks: ibid 5th recital.

9 Ibid 4th recital. In the case of the United Kingdom such unregistered marks are protected under the law of passing off (as to which see para 304 et seq post). The Trade Marks Directive takes unregistered marks into account only in regard to the relationship between them and trade marks acquired by registration: 4th recital.

10 Ie EC Council Regulation 40/94 (OJ L11, 14.1.94, p. 1) on the Community Trade Mark: see para 176 et seq post.

6. The Paris Convention. Under the International Convention for the Protection of Industrial Property (the 'Paris Convention')[1] the countries ('Convention countries')[2] acceding to it formed themselves into a union for the protection of industrial property[3]. Most countries are now members of the union. The basis of the union is equal treatment of the nationals and residents of the Convention countries. The Paris Convention is not itself part of either domestic or EC law, though it may be referred to in accordance with general principles[4]. The Trade Marks Act 1994 does, however, implement a number of provisions of the Paris Convention, namely:

(1) the recognition of priority in Convention countries based on a first application in one Convention country[5];
(2) the protection of well known trade marks[6];
(3) controls on the registration of flags, armorial bearings, hallmarks or official signs of Convention countries or of international intergovernmental organisations[7];
(4) the protection by means of a right to an injunction in respect of the matters mentioned in head (3) above[8]; and
(5) measures to prevent an agent of a person in a Convention country from registering or holding a mark of which that person is the owner[9].

The Secretary of State[10] may by order make such amendments of the Trade Marks Act 1994, and rules made under it, as appear to him to be appropriate in consequence of any revision or amendment of the Paris Convention on or after 31 October 1994[11].

1 Ie the International Convention for the Protection of Industrial Property (Paris, 20 March 1883) (the 'Paris Convention'), as revised (Stockholm, 14 July 1967 to 13 January 1968; TS 61 (1970); Cmnd 4431). As to the Convention see PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 729. For the purposes of the Trade Marks Act 1994, 'the Paris Convention' means the Paris Convention for the Protection of Industrial Property of 20 March 1883, as revised or amended from time to time: Trade Marks Act 1994 s 55(1)(a) (amended by the Patents and Trade Marks (World Trade Organisation) Regulations 1999, SI 1999/1899, reg 13(2)). The text of the Convention is available from the World Intellectual Property Organisation ('WIPO') or on its website, accessible at the date at which this title states the law at www.wipo.int.

2 For the purposes of the Trade Marks Act 1994, a 'Convention country' means a country, other than the United Kingdom, which is a party to the Paris Convention or to the WTO Agreement: Trade Marks Act 1994 s 55(1)(b) (amended by the Intellectual Property (Enforcement, etc) Regulations 2006, SI 2006/1028, Sch 2 para 18). For the meaning of 'United Kingdom' see para 12 note 2 post. As to the WTO Agreement see para 7 post.

3 'Property' covers patents, utility models, industrial designs, trade marks, service marks, trade names, indications of source or appellations of origin, and the repression of unfair competition: see the International Convention for the Protection of Industrial Property art 1(2). The term is to be understood in its broadest sense: see art 1(3), (4). Broadly speaking, the Convention relates to all forms of intellectual property save for copyright.

4 See FOREIGN RELATIONS LAW vol 18(2) (Reissue) para 603 et seq.

5 See the Trade Marks Act 1994 s 35; and para 378 post.

6 See ibid s 56 (as amended); and para 153 post.

7 See ibid ss 57–59 (as amended); and paras 67–68, 490–491 post.

8 See ibid ss 57(6), 58(4); and paras 490–491 post.

9 See ibid s 60; and para 154 post.

10 As to the Secretary of State see para 14 post.

11 Trade Marks Act 1994 s 55(2) (amended by the Patents and Trade Marks (World Trade Organisation) Regulations 1999, SI 1999/1899, reg 13(3)). Any such order must be made by statutory instrument which is subject to annulment in pursuance of a resolution of either House of Parliament: Trade Marks Act 1994 s 55(3). At the date at which this volume states the law no such order had been made.

7. The WTO Agreement and TRIPs. The Agreement establishing the World Trade Organisation ('the WTO Agreement') was signed at Marrakesh on 15 April 1994[1]. That Agreement consisted of a series of individual agreements dealing with different subject matters, one of which was the Agreement on Trade-Related Aspects of Intellectual Property Rights, commonly known as 'TRIPs'[2]. The overall purpose of

TRIPs is to reduce distortions and impediments to international trade arising from excessive discrepancies in national rules protecting intellectual property[3]. To that end, it contains provisions designed to lay down minimum standards concerning the availability, scope and use of intellectual property rights including trade marks[4], together with minimum procedural standards for enforcement of intellectual property rights[5]. The WTO Agreement has been declared to be a Community Treaty for the purposes of the European Communities Act 1972[6], and the European Court of Justice has held itself to have jurisdiction to interpret at least some aspects of TRIPs[7].

TRIPs requires its members to give effect inter se to most of the substantive provisions of the Paris Convention[8], including those relating to trade marks[9]. In some respects, it expands the effect of those provisions. TRIPs requires that the protection of well known marks provided for under the Paris Convention is to apply to marks for services as well as to trade marks for goods[10]. Effect has been given to this extension of protection for well known marks in United Kingdom domestic law[11]. TRIPs also requires that the protection of well known marks is to extend to goods or services which are not similar to those in respect of which the trade mark is registered, provided that the use of the trade mark would indicate a connection and there is a likelihood of damage[12]; however, it does not appear that effect has been given to this provision in United Kingdom domestic law[13].

The Secretary of State[14] may by order make such amendments of the Trade Marks Act 1994, and rules made under it, as appear to him to be appropriate in consequence of any revision or amendment of the WTO Agreement (including TRIPs) on or after 31 October 1994[15].

1 See the Agreement establishing the World Trade Organisation (Marrakesh, 15 April 1994; Cm 2557). The Agreement is commonly referred to, and is abbreviated in the text of the statute, as 'the WTO Agreement'. Most countries in the world have acceded to the WTO Agreement. For the purposes of the Trade Marks Act 1994, 'the WTO Agreement' means that Agreement: see s 55(1)(aa) (added by the Patents and Trade Marks (World Trade Organisation) Regulations 1999, SI 1999/1899, reg 13(2)).

2 See the Agreement on Trade-Related Aspects of Intellectual Property Rights ('TRIPs') (1994) (Cm 2557). The text of TRIPs is available from the World Trade Organisation ('WTO') or on its website, accessible at the date at which this title states the law at www.wto.org.

3 Ibid preamble.

4 Ibid Pt II, s 2 (arts 15 to 21), defines what kinds of signs member states must treat as protectable subject matter for trade mark registration, defines in broad terms the exclusive right which flows from registration and the minimum term of protection, allows cancellation for non-use only if an uninterrupted period of at least three years has elapsed, and prevents member states from unjustifiably encumbering the use of a trade mark in the course of trade or granting compulsory licences of trade marks.

5 Ibid Pt III. Articles 42–49 provide for civil and administrative procedures and remedies, including injunctions (art 44), damages (art 45) and seizure of infringing goods (art 46). Article 50 requires that the judicial authorities be given power to order prompt and effective provisional measures (such as temporary or interim injunctions). Articles 51–60 provide for customs seizures of infringing goods. Article 61 requires the member states to provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting on a commercial scale.

6 See the European Communities (Definition of Treaties) (The Agreement Establishing the World Trade Organisation) Order 1995, SI 1995/265.

7 Case C-53/96 *Hermès International Société en commandite par actions, Paris v FHT Marketing Choice BV* [1998] ECR I-3603, [1999] RPC 107, [1998] All ER (D) 275, ECJ.

8 Ie the International Convention for the Protection of Industrial Property (Paris, 20 March 1883) (the 'Paris Convention'), as revised (Stockholm, 14 July 1967 to 13 January 1968; TS 61 (1970); Cmnd 4431). As to the Paris Convention see para 6 ante.

9 The Agreement on Trade-Related Aspects of Intellectual Property Rights art 2(1) requires members to comply with the Paris Convention arts 1–12, 19.

10 The Agreement on Trade-Related Aspects of Intellectual Property Rights art 16(2) requires that the Paris Convention art 6(bis) (which provides for the protection of well known marks) is to apply mutatis mutandis to services: see para 153 post.

11 See the Patents and Trade Marks (World Trade Organisation) Regulations 1999, SI 1999/1899, reg 13(4) (made under the European Communities Act 1972 s 2(2)), which amends the Trade Marks Act 1994 s 56(1) and (2) by adding a reference to the WTO Agreement after the reference to the Paris Convention. Thus the Trade Marks Act 1994 s 56 (see para 153 post) on the protection of well known marks will apply to marks for services upon which protection is conferred by TRIPs art 16(2), as well as to marks for goods which are protected by the Paris Convention art 6(bis) as it applied in the absence of TRIPs. The Patents and Trade Marks (World Trade Organisation) Regulations 1999, SI 1999/1899, reg 14(1) contains a transitional provision protecting persons who continue a bona fide use of a trade mark begun before 1 January 1996. Corresponding amendments are made by reg 13(1) to the Trade Marks Act 1994 s 6(1)(c) (see para 70 post), so conferring on the owner of a well known service mark protected under TRIPs the right to object to someone else attempting to register an identical or similar mark: see paras 70–72, 153 post.

12 Agreement on Trade-Related Aspects of Intellectual Property Rights art 16(3).

13 The Trade Marks Act 1994 s 56(2) (as amended: see para 153 post) gives the proprietor of the well known mark the right to restrain use in relation to identical or similar goods or services. The Patents and Trade Marks (World Trade Organisation) Regulations 1999, SI 1999/1899, reg 13, while inserting a reference to the WTO Agreement (see note 11 supra), has not amended the wording of the provision to extend its scope to goods or services which are not similar. It may be arguable, however, that an effect of the WTO Agreement having been defined as a Community Treaty (see note 6 supra) is that some of its provisions could enjoy direct effect within the domestic law of the United Kingdom by virtue of the European Communities Act 1972 s 2(1); in which case, TRIPs art 16(3) might be construed as having such direct effect.

14 As to the Secretary of State see para 14 post.

15 Trade Marks Act 1994 s 55(2) (amended by the Patents and Trade Marks (World Trade Organisation) Regulations 1999, SI 1999/1899, reg 13(3)). Any such order must be made by statutory instrument which is subject to annulment in pursuance of a resolution of either House of Parliament: Trade Marks Act 1994 s 55(3). At the date at which this volume states the law no such order had been made.

8. The Madrid Agreement and the Madrid Protocol. The Madrid Agreement Concerning the International Registration of Marks[1] provides for a system by which a mark registered in one country may be deposited with an international bureau[2] and will take effect, subject to prior rights, in other countries which are parties to the Madrid Agreement. An application so made is called an 'international application' and a mark so registered an 'international registration'. The United Kingdom[3] is not a party to the Madrid Agreement, but is a party to the Protocol to the Madrid Agreement[4]. The parties to the Protocol, even where they are not party to the Madrid Agreement, are members of the same union of which countries party to the Madrid Agreement are members[5].

The Secretary of State[6] may by order make such provision as he thinks fit for giving effect in the United Kingdom to the provisions of the Madrid Protocol[7]. Provision may in particular be made with respect to:

(1) the making of applications for international registrations by way of the Patent Office[8] as office of origin[9];

(2) the procedures to be followed where the basic United Kingdom application or registration fails or ceases to be in force[10];

(3) the procedures to be followed where the Patent Office receives from the International Bureau[11] a request for extension of protection to the United Kingdom[12];

(4) the effects of a successful request for extension of protection to the United Kingdom[13];

(5) the transformation of an application for an international registration, or an international registration, into a national application for registration[14];

(6) the communication of information to the International Bureau[15];

(7) the payment of fees and amounts prescribed in respect of applications for international registrations, extensions of protection and renewals[16].

Without prejudice to the generality of the above provisions, provision may be made by regulations applying, in relation to an international trade mark (UK)[17], the statutory provisions relating to the remedy for groundless threats of infringement proceedings[18], the importation of infringing goods, material or articles[19], and offences[20].

1 Ie the Madrid Agreement Concerning the International Registration of Marks (Madrid, 14 April 1891; TS 71 (1970); Cmnd 4437), as revised at Stockholm in 1967 and as amended in 1979.
2 This bureau is known as the International Bureau of the World Intellectual Property Organisation ('WIPO') and is based in Geneva.
3 For the meaning of 'United Kingdom' see para 3 note 2 post.
4 Ie the Protocol relating to the Madrid Agreement Concerning the International Registration of Marks (Madrid, 27 June 1989; Cmnd 1601), as amended in 2006. The Protocol was also published with the parallel text of the Madrid Agreement Concerning the International Registration of Marks by WIPO in 1990. The Madrid Agreement itself has, however, still not been ratified by the United Kingdom. The text of both the Madrid Agreement and the Protocol is available from WIPO or on its website, accessible at the date at which this title states the law at www.wipo.int.
5 Protocol relating to the Madrid Agreement Concerning the International Registration of Marks art 1. The European Community has also acceded to the Madrid Protocol: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, arts 140–156 (added by EC Council Regulation 1992/2003 (OJ L296, 14.11.03, p.1)); EC Council Decision 2003/793 (OJ L296, 14.11.03, p 20) approving the accession of the European Community to the Protocol relating to the Madrid Agreement concerning the international registration of marks, adopted at Madrid on 27 June 1989. See note 17 infra; and para 176 post.
6 As to the Secretary of State see para 14 post.
7 Trade Marks Act 1994 s 54(1). For these purposes, 'the Madrid Protocol' means the Protocol relating to the Madrid Agreement concerning the International Registration of Marks, adopted at Madrid on 27 June 1980 (see note 4 supra): Trade Marks Act 1994 s 53.

Under this power, the Secretary of State has made the Trade Marks (International Registration) Order 1996, SI 1996/714 (as amended), which came into force on 1 April 1996. See further paras 11–13 post.
8 As to the Patent Office, its organisation and seal see para 14 note 2 post; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) paras 666–667. Note that the Patent Office is now operating under the name 'the UK Intellectual Property Office' ('UK-IPO'): see the UK Intellectual Property Office Name Change Fact Sheet.
9 Trade Marks Act 1994 s 54(2)(a).
10 Ibid s 54(2)(b).
11 For these purposes, 'the International Bureau' means the International Bureau of the World Intellectual Property Organisation (see note 2 supra): Protocol relating to the Madrid Agreement Concerning the International Registration of Marks art 2(1); definition applied by the Trade Marks Act 1994 s 53.
12 Ibid s 54(2)(c).
13 Ibid s 54(2)(d).
14 Ibid s 54(2)(e).
15 Ibid s 54(2)(f).
16 Ibid s 54(2)(g). An order under s 54 must be made by statutory instrument which is subject to annulment in pursuance of a resolution of either House of Parliament: s 54(4).
17 For these purposes, 'international trade mark (UK)' means a trade mark which is entitled to protection in the United Kingdom under the Madrid Protocol and 'international trade mark (EC)' means a trade mark which is entitled to protection in the European Community under the Madrid Protocol: Trade Marks Act 1994 s 53 (amended by the Trade Marks (International Registrations Designating the European Community etc) Regulations, SI 2004/2332, reg 5).
18 Ie the Trade Marks Act 1994 s 21: see paras 123–125 post.
19 Ie ibid ss 89–91 (as amended): see paras 149–152 post.
20 Ibid s 54(3). The provisions so specified in relation to offences are s 92 (see paras 141–144 post), s 93 (see para 146 post), s 95 (see para 148 post) and s 96 (as amended) (supplementary provisions relating to summary proceedings in Scotland): s 54(3).

9. The Trademark Law Treaty and the Singapore Treaty on the Law of Trademarks. The Trademark Law Treaty ('TLT')[1] was adopted under the auspices of the World Intellectual Property Organisation ('WIPO')[2]. Its aim is to make national and regional trade mark registration systems more user-friendly by simplifying and harmonising procedures during the phases of application, changes after registration and

renewal[3]. The Singapore Treaty on the Law of Trademarks[4] was also adopted under the auspices of WIPO, and is a revision of the TLT. Its aim is similar to that of the TLT, but it has a wider scope of application and addresses new developments in the field of communication technology, as well as making procedural changes[5].

1 Ie the Trademark Law Treaty (Geneva, 27 October 1994; TS 76 (1996); Cm 3348). The text of the treaty is available from WIPO or on its website, accessible at the date at which this title states the law at www.wipo.int.
2 See para 8 text and note 2 ante.
3 The United Kingdom has ratified the Trademark Law Treaty, but the Trade Marks Act 1994 contains no express reference to it.
4 Ie the Singapore Treaty on the Law of Trademarks (Singapore, 27 March 2006). The text of the treaty is available from WIPO or on its website, accessible at the date at which this title states the law at www.wipo.int.

The Singapore Treaty will enter into force when it has been ratified by ten eligible states or intergovernmental organisations: art 28. At the date on which this title states the law the Singapore Treaty is not yet in force.
5 The United Kingdom is a signatory to the Singapore Treaty and may be expected to ratify it in due course. For the meaning of 'United Kingdom' see para 3 note 2 ante.

10. The Nice Agreement. The Nice Agreement[1] establishes an International Classification of goods and services for the purposes of registering trade marks. The International Classification consists of a list of classes (currently 34 for goods and 11 for services) and an alphabetical list of goods and services allocating them to classes (currently comprising some 11,000 items). Both lists are from time to time amended and supplemented by a Committee of Experts on which all contracting states are represented[2].

1 Ie the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks (Nice, 15 June 1957; Misc 16 (1977); Cmnd 6898), revised at Stockholm on 14 July 1967 and at Geneva on 13 May 1977 and amended on 28 September 1979.
2 The ninth edition of the International Classification entered into force on 1 January 2007. At the date at which this title states the law the ninth edition was given effect in the United Kingdom by the Trade Marks Rules 2000, SI 2000/136, r 7(2) (as substituted): see para 370 post. Copies of the International Classification are available from the World Intellectual Property Organisation and from its website, accessible at the date at which this title states the law at www.wipo.int.

(iii) International Trade Marks

11. International registration of trade marks. In order for the United Kingdom[1] to participate in the system of international registration of trade marks in accordance with the Madrid Protocol[2], it has been necessary to make provision in domestic law for two main aspects of the system, namely: (1) outgoing international applications, that is, applications for international protection which are based upon a United Kingdom registered trade mark or a trade mark application filed in the United Kingdom; and (2) the legal effects within the United Kingdom of international trade marks which receive protection here and for the domestic procedures by which such protection is conferred. Provision has been made in the domestic law of the United Kingdom for both these aspects by the Trade Marks (International Protection) Order 1996[3]. The international aspects of the trade mark registration process, that is the procedures operated by the International Bureau[4] including the maintenance of and the making of entries in the international register, are governed directly by the Madrid Protocol and by the Common Regulations[5].

1 For the meaning of 'United Kingdom' see paras 3 note 2 ante, 12 note 3 post.
2 As to the Madrid Protocol see para 8 ante.

3 See the Trade Marks (International Registration) Order 1996, SI 1996/714 (as amended), made under the Trade Marks Act 1994 s 54. See further paras 12–13 post.

4 Ie the International Bureau of the World Intellectual Property Organisation ('WIPO'): see para 8 text and note 2 ante.

5 Ie the Common Regulations under the Madrid Agreement Concerning the International Registration of Marks and the Protocol Relating to that Agreement, adopted by the Assembly of the Madrid Union with effect from 1 April 1996, as amended with effect from 1 April 2004. The text of the Common Regulations is available from WIPO or on its website, accessible at the date at which this title states the law at www.wipo.int.

12. Outgoing applications for international protection. The proprietor of a United Kingdom trade mark, or an applicant for such a mark, may apply through the Registrar of Trade Marks[1] for the international registration of the trade mark[2]. However, this route of application via the United Kingdom registrar is restricted to persons or bodies with a specified connection with the United Kingdom[3]; persons or bodies not having the necessary United Kingdom connections will need to make their application for international protection via the registry of some other country with which they are connected, based on an appropriate application or trade mark registration there. If the application is in order[4], the registrar must submit the international application to the International Bureau[5], and must also notify the International Bureau of subsequent events which affect the status of the domestic application or registered trade mark upon which the international application is based[6]. The registrar may accept fees for transmission to the International Bureau in relation to an application made through him or for the renewal of an international registration originating in the United Kingdom[7].

1 As to the registrar see para 17 post.

2 Trade Marks (International Registration) Order 1996, SI 1996/714, art 22(1). 'International registration' means the registration of a trade mark in the international register: art 2. 'International register' means the register of trade marks maintained by the International Bureau for the purposes of the Madrid Protocol: Trade Marks (International Registration) Order 1996, SI 1996/714, art 2. As to the Madrid Protocol see para 8 ante. 'International Bureau' means the International Bureau of the World Intellectual Property Organisation ('WIPO') (see para 8 text and note 2 ante): Trade Marks (International Registration) Order 1996, SI 1996/714, art 2.

3 The applicant must be a British citizen, a British overseas territories citizen, a British overseas citizen, a British subject or a British protected person, or be domiciled in the United Kingdom, or have a real and effective industrial or commercial establishment in the United Kingdom, or be a body or corporation sole incorporated or constituted under the law of any part of the United Kingdom: ibid art 22(2) (amended by the British Overseas Territories Act 2002 s 2(3)). The applicant must provide at the request of the registrar such evidence as may be necessary to satisfy him that the applicant is eligible to make the application: Trade Marks (International Registration) Order 1996, SI 1996/714, art 22(4). 'United Kingdom' for these purposes includes the Isle of Man: art 2. For the meaning of 'United Kingdom' generally see para 3 note 2 ante.

4 The particulars appearing in the application must correspond with the particulars appearing at that time in the basic application or basic registration as the case may be: ibid art 22(3). The application or registration upon which the international application is based is referred to as the 'basic application' or the 'basic registration': art 22(6). This terminology is adopted from the Common Regulations, r 1 (xiii), (xiv). As to the Common Regulations see para 11 note 5 ante.

5 Trade Marks (International Registration) Order 1996, SI 1996/714, art 22(5).

6 See ibid art 23, which sets out the events which the registrar is required to notify. 'International application' means an application to the International Bureau for registration of a trade mark in the international register: art 2.

7 See ibid art 31.

13. Effects within the United Kingdom of international registrations. A request may be made to extend the protection of an international registration[1] to the United Kingdom, either in a relevant international application[2] or subsequently[3]. Such an international registration is or becomes an 'international registration designating the United Kingdom'[4] and the International Bureau[5] notifies the United Kingdom

registrar[6], who then examines it in the same way as a domestic application[7], and against the same substantive requirements for registrability[8]. If it appears to him that those requirements are not met, the registrar gives notice of provisional refusal to the International Bureau[9]; or if it appears that those requirements are met, the registrar publishes a notice specifying particulars of the international application and specifying the goods or services on which protection will be conferred[10]. There are provisions allowing any person to oppose the conferring of protection, which mirror those allowing opposition proceedings against the registration of a domestic trade mark[11]. Subject to any such opposition, or to the registrar changing his mind whether as a result of third party observations[12] or otherwise, after the publication of the notice, the international registration becomes protected as a 'protected international trade mark (UK)'[14]. When it becomes protected, the registrar must publish a notice specifying the number of the international registration, the date on which protection is conferred and the date and place of publication of the notice[15]. Once the international registration has achieved the status of a protected international trade mark (UK), it is thereafter treated for all intents and purposes like a domestic trade mark which has been registered under the Trade Marks Act 1994[16].

Where an international registration designating the United Kingdom is cancelled or the range of goods or services which it covers is restricted at the request of the office of origin[17], the holder of the international registration may within three months make a transformation application to the British registrar in respect of some or all of the goods or services in respect of which the international registration was cancelled[18]. If the international registration has achieved protection in the United Kingdom, the holder of the cancelled international registration is entitled to be granted a domestic registered trade mark replacing the cancelled international registration[19] and enjoying the same date of registration[20]; where the international registration has not yet achieved protected status in the United Kingdom, the transformation application effectively becomes an application for a domestic trade mark putting the holder in the same position as if he had applied to the British registry for a domestic registered trade mark in the first place[21].

1 For the meaning of 'international registration' see para 12 note 2 ante.

2 For the meaning of 'international application' see para 12 note 6 ante.

3 Ie under the Madrid Protocol art 3(ter)(1) or (2). As to the Madrid Protocol see para 8 ante.

4 Trade Marks (International Registration) Order 1996, SI 1996/714, art 2.

5 For the meaning of 'International Bureau' see para 12 note 2 ante.

6 See the Trade Marks (International Registration) Order 1996, SI 1996/714, art 9(1).

7 See ibid arts 3, 9(1), (2).

8 See ibid art 3(1). As to the requirements for registrability see para 55 et seq post. As to the provisions of the Trade Marks Act 1994 and the Trade Marks Rules 2000, SI 2000/136, which are to be disregarded in relation to international registration see the Trade Marks (International Registration) Order 1996, SI 1996/714, art 3(2); and para 365 post.

9 See ibid art 9(3) (amended by SI 2002/692). Notice of provisional refusal must specify a period within which the holder may make representations: Trade Marks (International Registration) Order 1996, SI 1996/714, art 9(4). A holder making representations must file an address for service in the United Kingdom, another EEA state or the Channel Islands on Form TM33: art 9(5) (amended by SI 2006/763). For the meaning of 'United Kingdom' see para 3 note 2 ante. 'EEA state' means a member state, Iceland, Liechtenstein or Norway: Trade Marks (International Registration) Order 1996, SI 1996/714, art 2 (amended by SI 2006/763).

Except where it is based on an opposition the notice of provisional refusal must not be given after the expiry of 18 months of the date on which the International Bureau sent notification of the request for extension to the United Kingdom (Trade Marks (International Registration) Order 1996, SI 1996/714, art 11(1) (art 11 substituted by SI 2002/692)); and the notice must set out the matters required by the Madrid Protocol art 5 and by the Common Regulations r 17 (Trade Marks (International Registration) Order 1996, SI 1996/714, art 11(3) (as so substituted)). As to the Common Regulations see para 11 note 5 ante. The registrar must inform the International Bureau that oppositions may be filed after the expiry

of the period of 18 months unless, at least four months before the expiry of that period, he has published the notice referred to in the Trade Marks (International Registration) Order 1996, SI 1996/714, art 10(1) (see the text and note 10 infra): art 11(2) (as so substituted). Where the registrar has given notice of provisional refusal to the International Bureau pursuant to art 9(3) (as amended) (see para 373 post), art 9A(1) (as added) (see para 373 post) or art 10A(5) (as added) (see para 384 post), the registrar must, upon deciding whether the provisional refusal is to be upheld, in whole or in relation to some only of the goods or services in relation to which protection in the United Kingdom is requested, notify the International Bureau of that decision: art 11(4) (as so substituted; and amended by SI 2004/948). Where, after such a decision has been notified to the International Bureau the decision is referred to an appointed person or the court on appeal or further appeal from the registrar, the registrar must notify the International Bureau of the decision of that person or court: Trade Marks (International Registration) Order 1996, SI 1996/714, art 11(5) (as so substituted).

10 Ibid art 10(1) (art 10 substituted by SI 2004/948). The registrar may consider that these requirements are met across part but not all of the range of goods or services comprised in the international registration, in which case he publishes a notice in respect of the range which he accepts and sends a notice of provisional refusal in respect of the rest of the range: see the Trade Marks (International Registration) Order 1996, SI 1996/714, arts 9(3) (as so amended), 10(1) (as so substituted).

11 See ibid arts 10A–10C (arts 10A–10C as added; and art 10A as amended); and paras 357, 384–385 post.

12 As to the submission of such observations see ibid art 10(3) (as substituted: see note 10 supra).

14 Ibid arts 2, 12 (art 12 amended by SI 2002/692). A protected international trade mark (UK) is generally treated as being registered under the Trade Marks Act 1994 as of the date of the international registration: see the Trade Marks (International Registration) Order 1996, SI 1996/714, art 12(2); and para 21 post.

15 Ibid art 12(3) (substituted by SI 2002/692).

16 See the Trade Marks (International Registration) Order 1996, SI 1996/714, art 4(1). Because the treatment accorded to the two species of marks is so similar, the other provisions of the Trade Marks (International Registration) Order 1996, SI 1996/714, relating to protected international trade marks (UK) are noted in detail in the paragraphs of this title which deal with the corresponding provisions of the Trade Marks Act 1994 relating to United Kingdom registered trade marks.

17 Ie the office in the country of the basic application or the basic registration upon which the international registration is based. That office is required to notify the International Bureau if the basic application or registration fails or is restricted in scope within five years of the date of international registration (Madrid Protocol art 6(3), (4)); after that period, the international registration becomes independent of the basic application or registration (art 6(2)).

18 See the Trade Marks (International Registration) Order 1996, SI 1996/714, art 19(1). A transformation application must be made on Form TM3 and must state that it is made by way of transformation: art 19(2).

19 Ibid art 20(1).

20 See ibid art 19(3).

21 See ibid art 20(2), (3).

(2) ADMINISTRATION

(i) The Secretary of State

14. Functions of the Secretary of State. The Secretary of State[1] is responsible for the Patent Office[2]. He appoints and supervises the Comptroller General of Patents, Designs and Trade Marks[3], who has the immediate control of the Patent Office[4] and is the Registrar of Trade Marks[5]. The Secretary of State may appoint and remove examiners and other officers and clerks for the Patent Office[6]. The Secretary of State has power to make rules[7] and to prescribe fees[8].

The Secretary of State no longer has any direct involvement in the administration of registered trade marks[9].

1 Ie one of Her Majesty's principal Secretaries of State: see the Interpretation Act 1978 s 5, Sch 1. As to the office of Secretary of State see CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) para 355.

2 As to the Patent Office, its organisation and seal see PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) paras 666–667. Note that the Patent Office is now operating under the name 'the UK Intellectual Property Office' ('UK-IPO'): see the UK Intellectual Property Office Name Change Fact Sheet. In relation to its functions as to trade marks the Patent Office is generally called the Trade Marks

Registry. Its address is Concept House, Cardiff Road, Newport, Gwent, NP10 8QQ; and its London office is at Harmsworth House, 13–15 Bouverie Street, London EC4Y 8DP. As to the business hours and the business days of the Patent Office see para 352 post.

3 As to the Comptroller General of Patents, Designs and Trade Marks see PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 664.

4 See the Patents and Designs Act 1907 s 62(2) (as amended); and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 664.

5 See the Trade Marks Act 1994 s 62; and para 17 post.

6 Patents and Designs Act 1907 s 63(1) (amended by the Trade Marks Act 1994 s 106(1), Sch 4 para 2(1), (3)(a)).

7 See para 15 post.

8 See para 16 post.

9 His former function of supervision etc of certification trade marks (i e under the Trade Marks Act 1938 s 37 (repealed)) is now exercisable by the registrar (see the Trade Marks Act 1994 s 50, Sch 2; and para 165 et seq post); and his former function of hearing appeals from the registrar (e g under the Trade Marks Act 1938 s 17(4) (repealed)) is now exercisable by a person appointed for the purpose (see the Trade Marks Act 1994 ss 76, 77 (both as amended); and paras 405–408 post).

15. Power to make rules. The Secretary of State[1] may make rules:

(1) for the purposes of any provision of the Trade Marks Act 1994 authorising the making of rules with respect to any matter; and

(2) for prescribing anything authorised or required by any provision of that Act to be prescribed,

and generally for regulating practice and procedure under that Act[2].

Provision may in particular be made: (a) as to the manner of filing of applications and other documents; (b) requiring and regulating the translation of documents and the filing and authentication of any translation; (c) as to the service of documents; (d) authorising the rectification of irregularities of procedure; (e) prescribing time limits for anything required to be done in connection with any proceeding under the Trade Marks Act 1994; (f) providing for the extension of any time limit so prescribed, or specified by the registrar[3], whether or not it has already expired[4].

Rules under the Trade Marks Act 1994 must be made by statutory instrument which is subject to annulment in pursuance of a resolution of either House of Parliament[5].

1 As to the Secretary of State see para 14 ante.

2 Trade Marks Act 1994 s 78(1). As to the rules that have been made see the Trade Marks Rules 2000, SI 2000/136 (as amended), which came into force on 17 February 2000 (r 1). Where an application for registration of a mark made under the old law is advertised on or after 31 October 1994, the period within which notice of opposition may be filed is three months from the date of advertisement and such period is not extendible: r 73. Except as provided by r 73, where (1) immediately before 17 February 2000 any time or period prescribed by the rules revoked by the Trade Marks Rules 2000, SI 2000/136 (as amended) had effect in relation to any act or proceeding and had not expired; and (2) the corresponding time or period prescribed by the Trade Marks Rules 2000, SI 2000/136 (as amended) would have expired or would expire earlier, the time or period prescribed by those other rules and not by the Trade Marks Rules 2000, SI 2000/136 (as amended) applies to that act or proceeding: r 74(2). As to the rules revoked by the Trade Mark Rules 2000, SI 2000/136 (as amended) see r 74(1), Sch 1. For these purposes, 'old law' means the Trade Marks Act 1938 and any rules made thereunder existing immediately before 31 October 1994 (i e the date on which the Trade Marks Act 1994 came into force: see the Trade Marks Act 1994 (Commencement) Order 1994, SI 1994/2550, art 2): Trade Marks Rules 2000, SI 2000/136, r 2(1). As to the meaning of 'old law' for the purposes of the Trade Marks Act 1994 see s 105, Sch 3 para 1(1); and para 4 note 3 ante. Any proceedings commenced before the registrar before 17 February 2000 must proceed under the Trade Marks Rules 1994, SI 1994/2583 (now revoked), or the old law as appropriate; but where a new step is to be taken on or after 26 April 2000 in relation to any such proceedings commenced under the Trade Mark Rules 1994, SI 1994/2583 (now revoked), the Trade Marks Rules 2000, SI 2000/136, apply to such proceedings from that date: r 74(3).

3 As to the registrar see para 17 post.

4 Trade Marks Act 1994 s 78(2).

5 Ibid s 78(3). In so far as the rules are procedural rules for the registrar (see para 358 et seq post), the Secretary of State must consult with the Council on Tribunals before making them: see the Tribunals and Inquiries Act 1992 s 8(1), Sch 1 Pt 1 (as amended); and ADMINISTRATIVE LAW vol 1(1) (2001 Reissue) paras 56–57.

16. Power to prescribe fees. There must be paid in respect of applications and registration[1] and other matters under the Trade Marks Act 1994 such fees as may be prescribed[2]; and provision may be made by rules as to the payment of a single fee in respect of two or more matters and as to the circumstances, if any, in which a fee may be repaid or remitted[3].

1 As to the requirements for registration see para 55 et seq post; and as to the procedure on the application see para 352 et seq post. For the meaning of 'registration' see para 19 note 2 post.

2 Trade Marks Act 1994 s 79(1); Trade Marks Rules 2000, SI 2000/136, r 4(1). Any form required to be filed with the registrar in respect of any specified matter is subject to the payment of the fee, if any, prescribed in respect of that matter by rules made under the Trade Marks Act 1994 s 79: Trade Marks Rules 2000, SI 2000/136, r 4(2). As to the use of forms see para 353 post; and as to the registrar see para 17 post.

As to the rules that have been made see the Trade Marks (Fees) Rules 2000, SI 2000/137, which came into force on 17 February 2000 (r 1). The Trade Marks (Fees) Rules 2000, SI 2000/137, are to be construed as one with the Trade Marks Rules 2000, SI 2000/136 (as amended) and the Trade Marks (International Registration) Order 1996, SI 1996/714 (as amended): Trade Marks (Fees) Rules 2000, SI 2000/137, r 2. The fees to be paid in respect of any matters arising under the Trade Marks Act 1994, the Trade Marks (International Registration) Order 1996, SI 1996/714 (as amended) and the Trade Marks Rules 2000, SI 2000/136 (as amended) are those specified in the Trade Marks (Fees) Rules 2000, SI 2000/137, r 3, Schedule; and in any case where a form specified therein as the corresponding form in relation to any matter is specified in the Trade Marks Rules 2000, SI 2000/136 (as amended) or the Trade Marks (International Registration) Order 1996, SI 1996/714 (as amended) that form must be accompanied, unless those rules or that order otherwise provides, by the fee, if any, specified in respect of that matter: Trade Marks (Fees) Rules 2000, SI 2000/137, r 3. All fees must be collected in money: see the Public Offices Fees (Patents, Designs and Trade Marks) Order 1964, SI 1964/45, art 1. As to the Secretary of State see para 14 ante.

3 Trade Marks Act 1994 s 79(2). Where a fee has been paid in error, the registrar must repay the same; and, where a fee is paid in excess of the amount specified in the Trade Marks (Fees) Rules 2000, SI 2000/137, the registrar must remit the amount paid in excess: r 4.

(ii) The Registrar of Trade Marks

17. General functions, reports and publications of the Registrar of Trade Marks. In the Trade Marks Act 1994, 'the registrar' means the Comptroller General of Patents, Designs and Trade Marks[1]. The register of trade marks[2] must be maintained by the registrar[3]. He has functions as to the registration of trade marks[4] and the rectification or correction of the register[5]. The registrar must include in his annual report as to patents and designs[6] a report on the execution of the Trade Marks Act 1994, including the discharge of his functions under the Madrid Protocol[7]; and that report must include an account of all money received and paid by him under or by virtue of the Act[8]. The registrar must also publish:

(1) a journal, entitled 'the Trade Marks Journal', containing particulars of any application for the registration of a trade mark[9], including a representation of the mark, such information as is required to be published[10] and such other information relating to trade marks as the registrar thinks fit[11];

(2) reports of cases relating to trade marks decided by him and of cases relating to trade marks decided by any court or body, whether in the United Kingdom[12] or elsewhere[13].

1 Trade Marks Act 1994 s 62. As to his appointment and supervision by the Secretary of State see para 14 ante. As to the Comptroller General of Patents, Designs and Trade Marks generally see PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 664. In practice the principal functions of the Registrar of

Trade Marks are carried out by an officer having the rank of Assistant Comptroller; and that officer is often called 'the registrar'. Other functions are carried out by officers and clerks appointed by the Secretary of State: see para 14 ante.

2 As to the register see para 19 post.
3 Trade Marks Act 1994 s 63(1).
4 See para 352 et seq post.
5 See paras 121, 396 et seq post.
6 Ie under the Patents Act 1977 s 121 (as amended): see PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 665.
7 Trade Marks Act 1994 s 71(1). As to the Madrid Protocol see para 8 note 7 ante.
8 Trade Marks Act 1994 s 71(2).
9 For the meaning of 'trade mark' see para 57 post.
10 Ie under the Trade Marks Rules 2000, SI 2000/136 (as amended). For the purposes of the Trade Marks Act 1994, 'publish' means make available to the public; and references to publication in relation to an application for registration are to publication under s 38(1) (see para 383 post) and in relation to registration are to publication under s 40(4) (see para 388 post): s 103(1). For the purposes of the Trade Marks Rules 2000, SI 2000/136 (as amended), 'publish' means, unless the context otherwise requires, publish in the Trade Marks Journal: r 2(1).
11 Trade Marks Act 1994 s 81; Trade Marks Rules 2000, SI 2000/136, r 71.
12 For the meaning of 'United Kingdom' see para 3 note 2 ante.
13 See the Patents Act 1977 s 123(7) (as amended); the Patents Rules 1995, SI 1995/2093, r 116; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 667. Publication of the Reports of Patent, Design and Trade Mark Cases, commonly known as 'Reports of Patent Cases' (RPC), began in 1884.

18. Exclusion of liability in respect of official acts. The registrar[1] is not to be taken to warrant the validity of the registration[2] of a trade mark[3] under the Trade Marks Act 1994 or under any treaty, convention, arrangement or engagement to which the United Kingdom[4] is a party[5].

The registrar is not subject to any liability by reason of, or in connection with, any examination required or authorised by the Act[6], or by the Trade Marks (International Registration) Order 1996[7], or any such treaty, convention, arrangement or engagement, or any report or other proceedings consequent on such examination[8].

No proceedings lie against an officer of the registrar in respect of any matter for which the registrar is not liable by virtue of the above provisions[9].

1 As to the registrar see para 17 ante.
2 For the meaning of 'registration' see para 19 note 2 post.
3 For the meaning of 'trade mark' see para 57 post.
4 For the meaning of 'United Kingdom' see para 3 note 2 ante.
5 Trade Marks Act 1994 s 70(1).
6 See ibid s 37; and para 372 post.
7 Ie the Trade Marks (International Registration) Order 1996, SI 1996/714 (as amended).
8 Trade Marks Act 1994 s 70(2); Trade Marks (International Registration) Order 1996, SI 1996/714, art 26(1).
9 Trade Marks Act 1994 s 70(3); Trade Marks (International Registration) Order 1996, SI 1996/714, art 26(2).

(iii) The Register of Trade Marks

19. Maintenance of register. The registrar[1] must maintain a register of trade marks[2]; and there must be entered in the register in accordance with the Trade Marks Act 1994[3]:

(1) registered trade marks[4];
(2) such particulars as may be prescribed of registrable transactions[5] affecting a registered trade mark[6]; and
(3) such other matters relating to registered trade marks as may be prescribed[7].

The register must be kept in such manner as may be prescribed[8] but need not be kept in documentary form[9].

The registrar must also maintain a supplementary register which records in relation to international trade marks (UK) disclaimers and limitations[10], and notifiable transactions[11].

Existing registered marks[12] had to be transferred on 31 October 1994 to the register so kept and have effect[13] as if registered under the Act[14]; and existing registered marks registered as a series[15] had to be similarly registered in the new register[16]. In any other case notes indicating that existing registered marks were associated with other marks ceased to have effect on that date[17].

1 As to the registrar see para 17 ante.

2 Trade Marks Act 1994 s 63(1). References in the Trade Marks Act 1994 to 'the register' are to the register so maintained by the registrar; and references to 'registration' (in particular, in the expression 'registered trade mark') are, unless the context otherwise requires, to registration in that register: s 63(1). As to the meaning of 'registered trade mark' see para 127 post. As to falsification of the register see para 147 post.

For the purposes of s 105, Sch 3 (transitional provisions) the Sheffield register kept under the Trade Marks Act 1938 Sch 2 (repealed) (see para 351 post) is to be treated as part of the register of trade marks kept under that Act: Trade Marks Act 1994 Sch 3 para 20(1). Applications made to the Cutlers' Company in accordance with the Trade Marks Act 1938 Sch 2 (repealed) which were pending on 31 October 1994 (i e the date on which the Trade Marks Act 1994 came into force: see the Trade Marks Act 1994 (Commencement) Order 1994, SI 1994/2550, art 2) must proceed after that date as if they had been made to the registrar: Trade Marks Act 1994 Sch 3 para 20(2).

There is no longer any requirement to maintain a copy in Manchester of copies of all entries in the register relating to textile goods as was formerly required under the Trade Marks Act 1938 s 39 (repealed): see para 350 post.

3 Trade Marks Act 1994 s 63(2).

4 Ibid s 63(2)(a). In practice the register includes details of pending applications for registration as well of registered trade marks.

5 As to the registrable transactions see para 130 et seq post.

6 Trade Marks Act 1994 s 63(2)(b). As to the particulars so prescribed see para 22 post.

7 Ibid s 63(2)(c).

8 Ibid s 63(3). Provision must in particular be made for public inspection of the register, and the supply of certified or uncertified copies, or extracts, of entries in the register: see s 63(3); and para 24 post.

9 Trade Marks Rules 2000, SI 2000/136, r 38. In practice the register is now kept in the form of an electronic database which is publicly searchable via the Patent Office website, accessible at the date at which this title states the law at www.patent.gov.uk or www.ipo.gov.uk. The Patent Office is now operating under the name 'the UK Intellectual Property Office': see the UK Intellectual Property Office Name Change Fact Sheet.

10 Ie made under the Trade Marks (International Registration) Order 1996, SI 1996/714, art 4(4) (as amended): see para 83 post.

11 Ibid art 24(1) (amended by SI 2002/692). That register need not be kept in documentary form: Trade Marks (International Registration) Order 1996, SI 1996/714, art 24(2). The provisions of the Trade Marks Rules 2000, SI 2000/136, rr 40–45 (see paras 24, 27–28, 131–132 post) apply, with the necessary modifications, to this supplementary register: Trade Marks (International Registration) Order 1996, SI 1996/714, art 24(3) (substituted by SI 2000/138).

12 Ie whether registered in Part A or Part B of the register kept under the Trade Marks Act 1938. For the meaning of 'existing registered mark' see para 4 note 2 ante.

13 Ie subject to the provisions of the Trade Marks Act 1994 Sch 3 (transitional provisions).

14 Ibid Sch 3 para 2(1). A condition entered on the former register in relation to an existing registered mark immediately before 31 October 1994 ceased to have effect on that date: Sch 3 para 3(1).

Proceedings under the Trade Marks Act 1938 s 33 (repealed) (application to expunge or vary registration for breach of condition) which were pending on 31 October 1994 must be dealt with under the old law and any necessary alteration made to the new register: Trade Marks Act 1994 Sch 3 para 3(1). For the meaning of 'the old law' see para 4 note 3 ante.

A disclaimer or limitation entered on the former register in relation to an existing registered mark immediately before 31 October 1994 had to be transferred to the new register and has effect as if entered on the register in pursuance of s 13 (see para 83 post): Sch 3 para 3(2).

15 Ie under the Trade Marks Act 1938 s 21(2) (repealed).

16 Trade Marks Act 1994 Sch 3 para 2(2). Provision may be made by rules for putting such entries in the same form as is required for entries under the Trade Marks Act 1994: Sch 3 para 2(2). At the date at which this title states the law no such rules had been made.

17 Ibid Sch 3 para 2(3).

20. Registration of trade mark. A trade mark is registered once the application for registration[1] has been accepted[2], either no notice of opposition[3] has been given within the prescribed time or all opposition proceedings have been withdrawn or decided in favour of the applicant, and any prescribed fee has been paid within the prescribed period[4].

1 As to the application procedure see paras 352 et seq post.
2 As to acceptance see para 381 post.
3 As to opposition proceedings see para 384 post.
4 See the Trade Marks Act 1994 s 40(1), (2) (s 40(1) as amended); and para 388 post.

21. Date of registration; retrospective effect. A trade mark[1], when registered[2], is registered as of the date of filing of the application for registration[3]; and that date is deemed[4] to be the date of registration[5].

A protected international trade mark (UK)[6] is treated as being registered under the Trade Marks Act 1994 as of the date of the international registration[7], or, if later, as of the date when a request for extension of protection to the United Kingdom is recorded in the international register[8]. When the holder of a protected international trade mark (UK) is also the proprietor of a United Kingdom registered trade mark which covers the same goods and services and which has an earlier date, the international mark is treated as backdated to the registration date of the United Kingdom mark[9].

1 For the meaning of 'trade mark' see para 57 post.
2 For the meaning of 'registered' see para 19 note 2 ante. In the case of an international trade mark, the mark 'becomes protected': see paras 13 ante, 55 note 8 post.
3 For the meaning of 'the date of filing of an application for registration' see para 366 post. As to the requirements for registration see para 55 et seq post; and as to the procedure on the application see para 352 et seq post.
4 Ie for the purposes of the Trade Marks Act 1994.
5 Ibid s 40(3). The effect of registration is thus, for most purposes, retrospective to the date of application. As to actions for infringement and criminal proceedings, in respect of acts committed during the period after application is made for registration of a trade mark but before the date of actual registration, see para 85 post.
6 For the meaning of 'protected international trade mark (UK)' see para 13 ante.
7 For the meaning of 'international registration' see para 12 note 2 ante.
8 See the Trade Marks (International Registration) Order 1996, SI 1996/714, art 12(2). For the meaning of 'international register' see para 12 note 2 ante. For the meaning of 'United Kingdom' see para 3 note 2 ante.
9 See ibid art 21.

22. Particulars of registered trade marks. In addition to the entries in the register[1] of registered trade marks[2], there must be entered in the register in respect of each trade mark registered therein the following particulars[3]:

(1) the date of registration[4], that is to say, the date of the filing of the application for registration[5];
(2) the actual date of registration, that is to say, the date of the entry in the register[6];
(3) the priority date, if any, to be accorded pursuant to a claim to a right to priority[7];
(4) the name and address of the proprietor[8];
(5) the address for service, if any, as duly furnished[9];
(6) any disclaimer or limitation of rights[10];
(7) any memorandum or statement of the effect of any memorandum relating to a trade mark of which the registrar has been notified on the appropriate form[11];
(8) the goods or services in respect of which the mark is registered[12];
(9) where the mark is a collective[13] or certification[14] mark, that fact[15];

(10) where the mark is registered[16] with the consent of the proprietor of an earlier trade mark or other earlier right, that fact[17];

(11) where the mark is registered pursuant to a transformation application[18], the number of the international registration[19], and either the priority date accorded to the international registration, or that date on which the request to extend the international registration to the United Kingdom was recorded[20]; and

(12) where the mark arises from the conversion of a Community trade mark or an application for a Community trade mark[21], the number of any other registered trade mark from which the Community trade mark or the application for a Community trade mark claimed seniority and the earliest seniority date[22].

1 As to the register see para 19 ante.
2 Ie in addition to the entries in the register of registered trade marks required by the Trade Marks Act 1994 s 63(2)(a): see para 19 head (1) ante. For the meaning of 'registered trade mark' see para 127 post.
3 Trade Marks Rules 2000, SI 2000/136, r 39. As to falsely representing a trade mark as registered see para 148 post.
4 Ie as determined in accordance with the Trade Marks Act 1994 s 40(3): see para 21 ante.
5 Trade Marks Rules 2000, SI 2000/136, r 39(a). As to the requirements for registration see para 55 et seq post; and as to the procedure on the application see para 352 et seq post.
6 Ibid r 39(b). As to the date of registration see para 21 ante.
7 Ibid r 39(c), which refers to claims made under the Trade Marks Act 1994 s 35 (see para 378 post) or s 36 (see para 379 post).
8 Trade Marks Rules 2000, SI 2000/136, r 39(d). For these purposes, 'proprietor' means the person registered as the proprietor of the trade mark: r 2(1).
9 Ibid r 39(e). As to the address for service see r 10 (as amended); and para 357 post.
10 Ibid r 39(f), which refers to disclaimers and limitations under the Trade Marks Act 1994 s 13(1)(a) or s 13(1)(b): see para 83 heads (1)–(2) post.
11 Trade Marks Rules 2000, SI 2000/136, r 39(g). The appropriate form is Form TM24: r 39(g). As to the use of forms see para 353 post. As to the registrar see para 17 ante.
12 Ibid r 39(h).
13 As to collective marks see para 155 et seq post.
14 As to certification marks see para 165 et seq post.
15 Trade Marks Rules 2000, SI 2000/136, r 39(i).
16 Ie pursuant to the Trade Marks Act 1994 s 5(5): see para 78 post.
17 Trade Marks Rules 2000, SI 2000/136, r 39(j).
18 As to transformation applications see para 13 ante.
19 As to international registrations see para 11 ante.
20 See the Trade Marks Rules 2000, SI 2000/136, r 39(k).
21 As to Community trade marks see para 176 et seq post; and as to conversion of Community trade marks or Community trade mark applications see paras 197–203 post.
22 Trade Marks Rules 2000, SI 2000/136, r 39(l).

23. Trusts and equities. No notice of any trust (express, implied or constructive) may be entered in the register[1]; and the registrar[2] is not affected by any such notice[3].

Equities in respect of a registered trade mark may be enforced in like manner as in respect of other personal or movable property[4].

1 As to the register see para 19 ante.
2 As to the registrar see para 17 ante.
3 Trade Marks Act 1994 s 26(1). This does not prevent notice of agreements which affect the proprietorship of the registered trade mark, whether by creating trusts or otherwise, from being entered upon the register: *Re Casey's Patents* [1892] 1 Ch 104, (1891) 9 RPC 9, CA; *Kakkar v Szelke* [1989] FSR 225, (1988) Times, 18 October, CA. The provisions of the Trade Marks Act 1994 s 26 apply, with the necessary modifications, in relation to an application for the registration of a trade mark as in relation to a registered trade mark: s 27(1). As to the meaning of 'registered trade mark' see para 127 post. As to the requirements for registration see para 55 et seq post; and as to the procedure on the application see para 352 et seq post.
4 Ibid s 26(2). See also note 3 supra.

24. Inspection of the register; provision of copies and extracts. The register[1] must be open for inspection at the Patent Office[2] during its hours of business as duly[3] published[4]; and, where any portion of the register is kept otherwise than in documentary form, the right of inspection is a right to inspect the material on the register[5].

The registrar must supply a certified copy or extract or uncertified copy or extract, as requested on the appropriate form[6], of any entry in the register[7].

1 As to the register see para 19 ante.
2 As to the Patent Office, its organisation and seal see para 14 note 2 post; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) paras 666–667. Note that the Patent Office is now operating under the name 'the UK Intellectual Property Office' ('UK-IPO'): see the UK Intellectual Property Office Name Change Fact Sheet.
3 Ie in accordance with the Trade Marks Rules 2000, SI 2000/136, r 70: see para 352 post.
4 Trade Marks Act 1994 s 63(3)(a); Trade Marks Rules 2000, SI 2000/136, r 42(1). See para 19 note 8 ante. For the meaning of 'publish' see para 17 note 10 ante. In practice the register is now kept in the form of an electronic database which is publicly searchable via the Patent Office website, accessible at the date on which this title states the law at www.patent.gov.uk or www.ipo.gov.uk. The Patent Office is now operating under the name 'the UK Intellectual Property Office': see the UK Intellectual Property Office Name Change Fact Sheet.
5 Trade Marks Act 1994 s 63(3)(a); Trade Marks Rules 2000, SI 2000/136, r 42(2). See para 19 note 8 ante.
6 The appropriate form is Form TM31R: ibid r 43.
7 Trade Marks Act 1994 s 63(3)(b); Trade Marks Rules 2000, SI 2000/136, r 43. See para 19 note 8 ante. As to the use of forms see para 353 post.

25. Inspection of documents. The registrar[1] must permit all documents filed[2] or kept at the Patent Office in relation to a registered mark or, where an application for the registration of a trade mark has been published[3], in relation to that application, to be inspected[4]. Corresponding provisions apply to an international trade mark[5] once the registrar has published notice that it appears to satisfy the requirements for protection[6], but until that stage is reached the right to inspect is limited to the information recorded in the international register[7], the particulars contained in any application for registration of a notifiable transaction and any entry in the supplementary register resulting from such an application[8]. The registrar is not, however, obliged to permit the inspection of any such document until he has completed any procedure, or the stage in the procedure which is relevant to the document in question, which he is required or permitted[9] to carry out[10].

Such right of inspection does not apply[11] to:

(1) any document until 14 days after it has been filed at the Patent Office[12];
(2) any document prepared in the Patent Office solely for use therein[13];
(3) any document sent to the Patent Office, whether at its request or otherwise, for inspection and subsequent return to the sender[14];
(4) any request for information[15];
(5) any document issued by the Patent Office which the registrar considers should be treated as confidential[16];
(6) any document in respect of which the registrar issues directions[17] that it be treated as confidential[18].

Nothing in the above provisions is to be construed as imposing on the registrar any duty of making available for public inspection[19]:

(a) any document or part of a document which in his opinion disparages any person in a way likely to damage him[20];
(b) any document or information filed at or sent to or by the Patent Office before 31 October 1994[21]; or

(c) any document or information filed at or sent to or by the Patent Office after 31 October 1994 relating to an application for registration of a trade mark under the Trade Marks Act 1938[22].

No appeal lies from a decision of the registrar[23] not to make any document or part of a document available for public inspection[24].

1 As to the registrar see para 17 ante.
2 For these purposes, references to the filing of any application, notice or other document are to be construed as references to its being delivered to the registrar at the Patent Office: Trade Marks Rules 2000, SI 2000/136, r 2(3). As to the filing of documents by electronic means see para 354 post. As to the Patent Office, its organisation and seal see para 14 note 2 ante; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) paras 666–667. Note that the Patent Office is now operating under the name 'the UK Intellectual Property Office' ('UK-IPO'): see the UK Intellectual Property Office Name Change Fact Sheet.
3 For the meaning of 'publish' see para 17 note 10 ante. As to publication of the application see para 383 post.
4 Trade Marks Rules 2000, SI 2000/136, r 50(1), which is expressed to be subject to r 50(2), (3) (see the text and notes 9–18 infra).
5 Ibid rr 50(2)–(5), 51 (see the text and notes 9–24 infra; and para 26 post) apply to the right of inspection conferred by the Trade Marks (International Registration) Order 1996, SI 1996/714, art 25(3) in relation to an international registration designating the United Kingdom: see art 25(5) (substituted by SI 2000/138). For the meaning of 'international registration' see para 12 note 2 ante.
6 See the Trade Marks (International Registration) Order 1996, SI 1996/714, art 25(3). Such notice is published under art 10(1) (as substituted): see para 13 ante. A request for information relating to an international registration designating the United Kingdom must be made on Form TM31M: art 25(4).
7 For the meaning of 'international register' see para 12 note 2 ante.
8 Trade Marks (International Registration) Order 1996, SI 1996/714, art 25(1), (2). An exception exists when a person has been notified that the proprietor of the international trade mark will bring proceedings against him; he may then inspect documents relating to the international application even before the notice has been published: see art 25(6).
9 Ie under the Trade Marks Act 1994 or the Trade Marks Rules 2000, SI 2000/136 (as amended).
10 Ibid r 50(2). See also note 5 supra.
11 Ibid r 50(3). See also note 5 supra.
12 Ibid r 50(3)(a).
13 Ibid r 50(3)(b).
14 Ibid r 50(3)(c). For these purposes, unless the context otherwise requires, 'send' includes give: r 2(1).
15 Ibid r 50(3)(d), which refers to requests under r 48: see para 390 post.
16 Ibid r 50(3)(e).
17 Ie under ibid r 51: see para 26 post.
18 Ibid r 50(3)(f).
19 Ibid r 50(4). See also note 5 supra.
20 Ibid r 50(4)(a).
21 Ibid r 50(4)(b).
22 Ibid r 50(4)(c). The Trade Marks Act 1938 is now repealed.
23 Ie under the Trade Marks Rules 2000, SI 2000/136, r 50(4): see the text to notes 19–22 supra.
24 Ibid r 50(5). See also note 5 supra.

26. Confidential documents. Where a document other than a form required by the registrar[1] and duly published[2] is filed[3] at the Patent Office[4] and the person filing it requests, at the time of filing or within 14 days of the filing, that it or a specified part of it be treated as confidential, giving his reasons, the registrar may direct that it or part of it, as the case may be, be treated as confidential, and the document is not open to public inspection while the matter is being determined by the registrar[5].

Where such direction has been given and not withdrawn, nothing in these provisions is to be taken to authorise or require any person to be allowed to inspect the document or part of it to which the direction relates except by leave of the registrar[6]. The registrar may not withdraw any direction so given without prior consultation with the person at whose request the direction was given, unless the registrar is satisfied that such prior consultation is not reasonably practical[7].

Where the registrar considers that any document issued by the Patent Office should be treated as confidential, he may so direct; and upon such direction that document is not open to public inspection except by leave of the registrar[8].

Where a direction is given under the above provisions for a document to be treated as confidential, a record of the fact must be filed with the document[9].

1 As to the registrar see para 17 ante.
2 Ie in accordance with the Trade Marks Rules 2000, SI 2000/136, r 3: see para 353 post. For the meaning of 'publish' see para 17 note 10 ante.
3 For the meaning of references to 'filing' see para 25 note 2 ante. As to the filing of documents by electronic means see para 354 post.
4 As to the Patent Office, its organisation and seal see para 14 note 2 ante; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) paras 666–667. Note that the Patent Office is now operating under the name 'the UK Intellectual Property Office' ('UK-IPO'): see the UK Intellectual Property Office Name Change Fact Sheet.
5 Trade Marks Rules 2000, SI 2000/136, r 51(1). As to the principles applicable to a application to keep documents or parts thereof confidential see *Diamond Shamrock Technologies SA's Patent* [1987] RPC 91. As to the application of the Trade Marks Rules 2000, SI 2000/136, r 51 to international trade marks see para 25 note 5 ante.
6 Ibid r 51(2).
7 Ibid r 51(3).
8 Ibid r 51(4).
9 Ibid r 51(5).

27. Request for change of name or address in the register. The registrar[1] must, on a request made on the appropriate form[2] by the proprietor[3] of a registered trade mark[4] or a licensee[5] or any person having an interest in or charge on a registered trade mark which has been duly registered[6], enter any change in his name or address as recorded in the register[7].

1 As to the registrar see para 17 ante.
2 The appropriate form is Form TM21: see the Trade Marks Rules 2000, SI 2000/136, r 44(1). As to the use of forms see para 353 post.
3 For the meaning of 'proprietor' see para 22 note 8 ante.
4 As to the meaning of 'registered trade mark' see para 127 post.
5 As to the licensing of trade marks see paras 136–137 post.
6 Ie registered under the Trade Marks Rules 2000, SI 2000/136, r 40: see para 131 post.
7 Trade Marks Act 1994 s 64(4); Trade Marks Rules 2000, SI 2000/136, r 44(1).

28. Registrar's power to remove matter from the register. Where it appears to the registrar[1] that any matter in the register has ceased to have effect, he may remove that matter from the register[2]; but, before doing so:

(1) he may, where he considers it appropriate, publish[3] his intention to remove that matter[4]; and
(2) where any person appears to him to be affected by the removal, he must send[5] notice of his intention to that person[6].

Within three months of the date on which his intention to remove the matter is published, or notice of his intention is sent, as the case may be[7]:

(a) any person may file[8] notice of opposition to the removal on the appropriate form[9]; and
(b) the person to whom a notice is sent under head (2) above may file, in writing, his objections, if any, to the removal, or a request to have his objections heard orally[10].

If, after considering any objections or opposition to the removal, the registrar is satisfied that the matter has not ceased to have effect, he must not remove it[11].

Where there has been no response to the registrar's notice, he may remove the matter; and, where representations objecting to the removal of the entry have been

made, whether in writing or orally, the registrar may, if he is of the view after considering the objections that the entry or any part thereof has ceased to have effect, remove it or, as appropriate, the part thereof[12].

1 As to the registrar see para 17 ante.
2 Trade Marks Act 1994 s 64(5); Trade Marks Rules 2000, SI 2000/136, r 45(1). As to the register see para 19 ante.
3 For the meaning of 'publish' see para 17 note 10 ante.
4 Trade Marks Rules 2000, SI 2000/136, r 45(1)(a).
5 For the meaning of 'send' see para 25 note 14 ante.
6 Trade Marks Rules 2000, SI 2000/136, r 45(1)(b).
7 Ibid r 45(2).
8 For the meaning of references to 'filing' see para 25 note 2 ante. As to the filing of documents by electronic means see para 354 post.
9 Trade Marks Rules 2000, SI 2000/136, r 45(2)(a). See also note 10 infra. The appropriate form is Form TM7: r 45(2)(a). As to the use of forms see para 353 post.
10 Ibid r 45(2)(b). Where opposition or objection is made under r 45(2)(a) or r 45(2)(b), r 54 (see para 358 post) applies: r 45(2).
11 Ibid r 45(3).
12 Ibid r 45(4).

29. Duration and renewal of registration. A trade mark[1] is registered[2] for a period of ten years from the date of registration[3]; but registration may be renewed[4] for further periods of ten years[5].

The registration of a trade mark may be renewed by the proprietor[6] filing[7] a request for renewal on the appropriate form[8] at any time within the period of six months ending on the date of the expiration of the registration, subject to payment of a renewal fee[9]. At any time not earlier than six months nor later than one month before the expiration of the last registration of a trade mark, the registrar[10] must, except where renewal has already been duly effected[11], send[12] to the registered proprietor notice of the approaching expiration and inform him at the same time that the registration may be renewed[13]. If it appears to the registrar that a trade mark may be registered[14] at any time within six months before or at any time after the date on which renewal would be due, by reference to the date of application for registration, the registrar is to be taken to have complied with this obligation if he sends to the applicant notice thereof within one month following the date of actual registration[15].

A request for renewal must be made, and the renewal fee paid, before the expiry of the registration[16]. If, on the expiration of the last registration of a trade mark, the renewal fee has not been paid, the registrar must publish[17] that fact, and, if within six months from the date of the expiration of the last registration the request for renewal is filed on the appropriate form[18] accompanied by the appropriate renewal fee and additional renewal fee, the registrar must renew the registration without removing the mark from the register[19].

Renewal takes effect from the expiry of the previous registration[20].

Where no request for renewal is filed, the registrar must remove the trade mark from the register[21], subject to his power[22] to restore the registration[23].

Where a mark is due to be registered after the date on which it is due for renewal, by reference to the date of application for registration, the request for renewal must be filed together with the renewal fee and additional renewal fee within six months after the date of actual registration[24].

The renewal or removal of any registration must be published[25].

1 For the meaning of 'trade mark' see para 57 post.
2 For the meaning of 'registered' see para 19 note 2 ante. In the case of an international trade mark, the mark 'becomes protected': see paras 13 ante, 55 note 8 post.

3 Trade Marks Act 1994 s 42(1). For the meaning of 'date of registration' see para 21 ante. Section 42(1) applies in relation to the registration of a mark in pursuance of an application made on or after 31 October 1994 (i e the date on which the Trade Marks Act 1994 came into force: see the Trade Marks Act 1994 (Commencement) Order 1994, SI 1994/2550, art 2); and the old law continues to apply in any other case: Trade Marks Act 1994 s 105, Sch 3 para 15(1). It is immaterial when the fee is paid: Sch 3 para 15(3). For the meaning of 'the old law' see para 4 note 3 ante.

4 Ie in accordance with ibid s 43: see the text and notes 6–25 infra.

5 Ibid s 42(2). This applies where the renewal falls due on or after 31 October 1994; and the old law applies in any other case: Sch 3 para 15(2). It is immaterial when the fee is paid: Sch 3 para 15(3).

6 For the meaning of 'proprietor' see para 22 note 8 ante.

7 For the meaning of references to 'filing' see para 25 note 2 ante. As to the filing of documents by electronic means see para 354 post.

8 The appropriate form is Form TM11: Trade Marks Rules 2000, SI 2000/136, r 28. As to the use of forms see para 353 post.

9 Trade Marks Act 1994 s 43(1); Trade Marks Rules 2000, SI 2000/136, r 28. As to fees see para 16 ante; and as to acts done by authorised agents see para 31 post. The Trade Marks Act 1994 s 43 applies where the renewal falls due on or after 31 October 1994; and the old law applies in any other case: Sch 3 para 15(2). It is immaterial when the fee is paid: Sch 3 para 15(3).

10 As to the registrar see para 17 ante.

11 Ie under the Trade Marks Rules 2000, SI 2000/136, r 28: see the text to notes 6–9 supra.

12 For the meaning of 'send' see para 25 note 14 ante.

13 Trade Marks Act 1994 s 43(2); Trade Marks Rules 2000, SI 2000/136, r 27(1). See also note 9 supra.

14 Ie under the Trade Marks Act 1994 s 40 (see para 388 post): Trade Marks Rules 2000, SI 2000/136, r 27(2).

15 Ibid r 27(2).

16 Trade Marks Act 1994 s 43(3). See also note 9 supra.

17 For the meaning of 'publish' see para 17 note 10 ante.

18 The appropriate form is Form TM11: Trade Marks Rules 2000, SI 2000/136, r 29(1).

19 Trade Marks Act 1994 s 43(3); Trade Marks Rules 2000, SI 2000/136, r 29(1). The periods specified in r 29 may not be extended: see r 68(1), (3) (as amended); and para 356 post. See also note 9 supra.

20 Trade Marks Act 1994 s 43(4). See also note 9 supra.

21 As to the register see para 19 ante.

22 Ie under the Trade Marks Rules 2000, SI 2000/136, r 30: see para 30 post.

23 Trade Marks Act 1994 s 43(5); Trade Marks Rules 2000, SI 2000/136, r 29(2). See also notes 9, 19 supra. As to appeals from decisions of the registrar, including acts of the registrar in exercise of a discretion, see the Trade Marks Act 1994 ss 76, 77 (both as amended); and para 405 et seq post.

24 Trade Marks Rules 2000, SI 2000/136, r 29(3). See also note 19 supra.

25 Trade Marks Act 1994 s 43(6); Trade Marks Rules 2000, SI 2000/136, r 29(4). See also notes 9, 19 supra.

30. Restoration to the register. Where the registrar[1] has removed the mark from the register for failure to renew its registration[2], he may, upon a request filed on the appropriate form[3] within six months of the date of the removal of the mark accompanied by the appropriate renewal fee and appropriate restoration fee, restore the mark to the register[4] and renew its registration if, having regard to the circumstances of the failure to renew, he is satisfied that it is just to do so[5]. The restoration of the registration must be published, with the date of restoration shown[6].

1 As to the registrar see para 17 ante.

2 Ie in accordance with the Trade Marks Rules 2000, SI 2000/136, r 29: see para 29 ante.

3 The appropriate form is Form TM13: ibid r 30(1). As to the use of forms see para 353 post.

4 As to the register see para 19 ante.

5 Trade Marks Act 1994 s 43(5); Trade Marks Rules 2000, SI 2000/136, r 30(1). The periods specified in r 30 may not be extended: see r 68(1), (3) (as amended); and para 356 post. As to fees see para 16 ante. The Trade Marks Act 1994 s 43 applies where the renewal falls due on or after 31 October 1994; and the old law applies in any other case: Sch 3 para 15(2). For the meaning of 'the old law' see para 4 note 3 ante. In the absence of a challenge to the registrar's decision to restore a registration by way of judicial review, misconduct by the applicant for restoration (such as failure fully to disclose to the registrar all the relevant circumstances) cannot itself constitute grounds for a challenge to the restoration by way of

rectification of the register, although it may be relevant to the exercise of any discretion by a tribunal hearing an application for rectification of the register on other grounds: *Second Sight Ltd v Novell UK Ltd and Novell Inc* [1995] RPC 423.

6 Trade Marks Act 1994 s 43(6); Trade Marks Rules 2000, SI 2000/136, r 30(2). See also note 5 supra.

(iv) Trade Mark Agents

A. IN GENERAL

31. Recognition of agents. Any act required or authorised by the Trade Marks Act 1994 to be done by or to a person in connection with the registration[1] of a trade mark[2], or any procedure relating to a registered trade mark[3], may be done[4] by or to an agent authorised by that person orally or in writing[5]. Where an agent has been so authorised, the registrar[6] may in any particular case require the personal signature or presence of the agent or the person authorising him to act as agent[7].

Where, after a person has become a party to proceedings before the registrar, he appoints an agent for the first time or appoints one agent in substitution for another, the newly appointed agent must file the appropriate form[8]; and any act required or authorised by the Trade Marks Act 1994 in connection with the registration of a trade mark or any procedure relating to a trade mark may not be done by or to the newly appointed agent until on or after the date on which he files that form[9].

The registrar may by notice in writing sent to an agent require him to produce evidence of his authority[10].

1 For the meaning of 'registration' see para 19 note 2 ante.
2 For the meaning of 'trade mark' see para 57 post.
3 As to the meaning of 'registered trade mark' see para 127 post.
4 Ie except as otherwise provided by rules. As to the making of rules generally see para 15 ante.
5 Trade Marks Act 1994 s 82. As to agency generally see AGENCY.
6 As to the registrar see para 17 ante.
7 Trade Marks Rules 2000, SI 2000/136, r 52(1).
8 The appropriate form is Form TM33: ibid r 52(2). As to the use of forms see para 353 post.
9 Ibid r 52(2).
10 Ibid r 52(3).

32. Restrictions on practice. An individual who is not a registered trade mark agent[1] may not[2]:

(1) carry on a business[3], otherwise than in partnership, under any name or other description which contains the words 'registered trade mark agent'[4]; or
(2) in the course of a business otherwise describe or hold himself out, or permit himself to be described or held out, as a registered trade mark agent[5].

A partnership may not:

(a) carry on a business under any name or other description which contains the words 'registered trade mark agent'[6]; or
(b) in the course of a business otherwise describe or hold itself out, or permit itself to be described or held out, as a firm of registered trade mark agents[7],

unless all the partners are registered trade mark agents or the partnership satisfies such conditions as may be prescribed for these purposes[8].

A body corporate may not:

(i) carry on a business, otherwise than in partnership, under any name or other description which contains the words 'registered trade mark agent'[9]; or
(ii) in the course of a business otherwise describe or hold itself out, or permit itself to be described or held out, as a registered trade mark agent[10],

unless all the directors[11] of the body corporate are registered trade mark agents or the body satisfies such conditions as may be prescribed for these purposes[12].

A person who contravenes the above provisions commits an offence and is liable on conviction to a penalty[13]; and proceedings for such an offence may be begun at any time within a year from the date of the offence[14].

1 For these purposes, 'registered trade mark agent' means a person whose name is entered in the register kept under the Trade Marks Act 1994 s 83 (see para 39 post): s 83(1).
2 Ibid s 84(1).
3 For these purposes 'business' includes a trade or profession: ibid s 103(1).
4 Ibid s 84(1)(a).
5 Ibid s 84(1)(b).
6 Ibid s 84(2)(a).
7 Ibid s 84(2)(b).
8 Ibid s 84(2). As to the power to prescribe conditions etc for mixed partnerships and bodies corporate, and as to the conditions so prescribed, see para 33 post.
9 Ibid s 84(3)(a).
10 Ibid s 84(3)(b).
11 For these purposes, 'director', in relation to a body corporate whose affairs are managed by its members, means any member of the body: ibid s 103(1).
12 Ibid s 84(3). See also note 8 supra.
13 Ibid s 84(4). The penalty on summary conviction is a fine not exceeding level 5 on the standard scale: s 84(4). 'Standard scale' means the standard scale of maximum fines for summary offences as set out in the Criminal Justice Act 1982 s 37 (as amended): see the Interpretation Act 1978 s 5, Sch 1 (definition added by the Criminal Justice Act 1988 s 170(1), Sch 15 para 58); and CRIMINAL LAW, EVIDENCE AND PROCEDURE vol 11(4) (2006 Reissue) para 1676; MAGISTRATES vol 29(2) (Reissue) para 804. At the date at which this volume states the law, the standard scale is as follows: level 1, £200; level 2, £500; level 3, £1,000; level 4, £2,500; level 5, £5,000: Criminal Justice Act 1982 s 37(2) (substituted by the Criminal Justice Act 1991 s 17(1)). As to the determination of the amount of the fine actually imposed, as distinct from the level on the standard scale which it may not exceed, see the Criminal Justice Act 2003 s 164 (as amended); and MAGISTRATES vol 29(2) (Reissue) para 807.
As to offences by partnerships and bodies corporate see para 139 post.
14 Trade Marks Act 1994 s 84(4).

33. Power to prescribe conditions etc for mixed partnerships and bodies corporate. The Secretary of State[1] may make rules prescribing the conditions to be satisfied for the purposes of the statutory provisions relating to persons entitled to be described as registered trade mark agents[2]:

(1) in relation to a partnership where not all the partners are qualified persons[3]; or
(2) in relation to a body corporate where not all the directors[4] are qualified persons[5],

and imposing requirements to be complied with by such partnerships or bodies corporate[6].

The rules may in particular:

(a) prescribe conditions as to the number or proportion of partners or directors who must be qualified persons[7];
(b) impose requirements as to the identification of qualified and unqualified persons in professional advertisements, circulars or letters issued by or with the consent of the partnership or body corporate and which relate to its business[8] and the manner in which a partnership or body corporate is to organise its affairs so as to secure that qualified persons exercise a sufficient degree of control over the activities of unqualified persons[9].

A person who contravenes a requirement imposed by the rules commits an offence and is liable to a penalty[10].

1 As to the Secretary of State see para 14 ante.
2 Ie the Trade Marks Act 1994 s 84 (see para 32 ante): s 85(1). For the meaning of 'registered trade mark agent' see para 32 note 1 ante.

3 Ibid s 85(1)(a). For these purposes, 'qualified person' means a registered trade mark agent: s 85(4).
4 For the meaning of 'director' see para 32 note 11 ante.
5 Trade Marks Act 1994 s 85(1)(b).
6 Ibid s 85(1). At the date at which this title states the law no such rules had been made but, by virtue of s 105, Sch 3 para 22(1), the Registered Trade Mark Agents (Mixed Partnerships and Bodies Corporate) Rules 1994, SI 1994/363, which came into force on 24 March 1994 (r 1) have effect as if so made. Rules so continued in force may be varied or revoked by further rules made under the relevant provisions of the Trade Marks Act 1994: Sch 3 para 22(3). As to the making of rules generally see para 15 ante.

For the purposes of s 84 (see para 32 ante), the conditions to be satisfied, in the case of a partnership where not all the partners are registered trade mark agents or in the case of a body corporate where not all the directors are registered trade mark agents, are: (1) that each partner or, as the case may be, director must be a person whose name is entered in at least one of the registers kept pursuant to rules made under the Copyright, Designs and Patents Act 1988 s 275 (see PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 697) and the Trade Marks Act 1994 s 83 (see para 39 post); and (2) that at least one-quarter of the partners or, as the case may be, the directors, must be registered trade mark agents: Registered Trade Mark Agents (Mixed Partnerships and Bodies Corporate) Rules 1994, SI 1994/363, r 3; and see the Trade Marks Act 1994 Sch 3 para 22(1). 'Registered trade mark agent' means a person whose name is entered in the register kept pursuant to rules made under s 83: Registered Trade Mark Agents (Mixed Partnerships and Bodies Corporate) Rules 1994, SI 1994/363, r 2; and see the Trade Marks Act 1994 Sch 3 para 22(1).
7 Ibid s 85(2)(a).
8 For the meaning of 'business' see para 32 note 3 ante.
9 Trade Marks Act 1994 s 85(2)(b).
10 Ibid s 85(3). The penalty on summary conviction is a fine not exceeding level 5 on the standard scale: s 85(3). As to the standard scale see para 32 note 13 ante.

34. Privilege for communications with registered trade mark agents. As regards any matter relating to the protection of any design or trade mark[1], or as to any matter involving passing off[2], any communication:

(1) between a person and his trade mark agent[3]; or
(2) for the purpose of obtaining, or in response to a request for, information which a person is seeking for the purpose of instructing his trade mark agent[4],

is privileged from disclosure in legal proceedings in the same way as a communication between a person and his solicitor or, as the case may be, a communication for the purpose of obtaining, or in response to a request for, information which a person is seeking for the purpose of instructing a solicitor[5].

1 For the meaning of 'trade mark' see para 57 post.
2 See the Trade Marks Act 1994 s 87(1). As to passing off see para 304 et seq post.
3 Ibid s 87(2)(a). For these purposes, 'trade mark agent' means: (1) a registered trade mark agent; or (2) a partnership entitled to describe itself as a firm of registered trade mark agents; or (3) a body corporate entitled to describe itself as a registered trade mark agent: s 87(3). As to the modification of this definition in relation to Community trade marks see para 196 post. For the meaning of 'registered trade mark agent' see para 32 note 1 ante. As to partnerships entitled to describe themselves as firms of registered trade mark agents, and as to bodies corporate entitled to describe themselves as registered trade mark agents, see para 32 ante.
4 Ibid s 87(2)(b).
5 Ibid s 87(2). As to legal professional privilege see BARRISTERS vol 3(1) (2005 Reissue) para 674; SOLICITORS vol 44(1) (Reissue) para 90.

35. Power of the registrar to refuse to deal with certain agents. The Secretary of State[1] may make rules authorising the registrar[2] to refuse to recognise as agent in respect of any business under the Trade Marks Act 1994[3]:

(1) a person who has been convicted of the offence of describing himself as a registered trade mark agent when not entitled to do so[4];
(2) an individual whose name has been erased from and not restored to, or who is suspended from, the register of trade mark agents[5] on the ground of misconduct[6];
(3) a person who is found by the Secretary of State to have been guilty of such

conduct as would, in the case of an individual registered in the register of trade mark agents, render him liable to have his name erased from the register on the ground of misconduct[7];

(4) a partnership or body corporate of which one of the partners or directors[8] is a person whom the registrar could refuse to recognise under head (1), head (2) or head (3) above[9].

The rules may contain such incidental and supplementary provisions as appear to the Secretary of State to be appropriate and may in particular prescribe circumstances in which a person is or is not to be taken to have been guilty of misconduct[10].

The registrar may accordingly refuse to recognise as agent in respect of any business under the Trade Marks Act 1994[11]:

(a) a person who has been convicted of the offence of describing himself as a registered trade mark agent when not entitled to do so[12];

(b) an individual whose name has been erased from and not restored to, or who is suspended from, the register of trade mark agents on the ground of misconduct[13];

(c) a person who is found by the Secretary of State to have been guilty of such conduct as would, in the case of an individual registered in the register of trade mark agents, render him liable to have his name erased from the register on the ground of misconduct[14];

(d) a partnership or body corporate of which one of the partners or directors is a person whom the registrar could refuse to recognise under head (a), head (b) or head (c) above[15].

1 As to the Secretary of State see para 14 ante.
2 As to the registrar see para 17 ante.
3 Trade Marks Act 1994 s 88(1). As to the making of rules generally see para 15 ante.
4 Ibid s 88(1)(a). The offence referred to in the text is an offence under s 84: see para 32 ante. For the meaning of 'registered trade mark agent' see para 32 note 1 ante.
5 As to the register of trade mark agents see para 39 et seq post.
6 Trade Marks Act 1994 s 88(1)(b).
7 Ibid s 88(1)(c).
8 For the meaning of 'director' see para 32 note 11 ante.
9 Trade Marks Act 1994 s 88(1)(d).
10 Ibid s 88(2).
11 Trade Marks Rules 2000, SI 2000/136, r 53.
12 Ibid r 53(a).
13 Ibid r 53(b).
14 Ibid r 53(c).
15 Ibid r 53(d).

36. Preparation of documents by registered trade mark agents. A registered trade mark agent[1] has the right to draw or prepare any instrument relating to any design or trade mark[2].

1 For these purposes, 'registered trade mark agent' has the same meaning as in the Trade Marks Act 1994 (see para 32 note 1 ante): Solicitors Act 1974 s 22(3A) (added by the Courts and Legal Services Act 1990 s 68(1), (3); and amended by the Trade Marks Act 1994 s 106(1), Sch 4 para 5(1), (3)(a)).
2 Solicitors Act 1974 s 22(2)(aa) (added by the Courts and Legal Services Act 1990 s 68(1), (2); and amended by the Trade Marks Act 1994 Sch 4 para 5(1), (2)).

37. Use of the term 'trade mark attorney'. No offence is committed under the enactments restricting the use of certain expressions in reference to persons not qualified to act as solicitors[1] by the use of the term 'trade mark attorney' in reference to a registered trade mark agent[2].

1 Ie under the Solicitors Act 1974 s 21 (as amended) (see SOLICITORS vol 44(1) (Reissue) para 527), the Solicitors (Scotland) Act 1980 s 31 and the Solicitors (Northern Ireland) Order 1976, SI 1976/582, art 22.
2 Trade Marks Act 1994 s 86(1), (2). For the meaning of 'registered trade mark agent' see para 32 note 1 ante.

38. Provision of legal services by trade mark attorneys. Appropriately qualified members of the Institute of Trade Mark Attorneys[1] may conduct trade mark, passing off and design litigation and have rights of audience in certain courts[2].

The Legal Services Ombudsman[3] has jurisdiction to investigate allegations concerning the handling of complaints by the Institute of Trade Mark Attorneys[4].

1 As to the Institute of Trade Mark Attorneys see para 40 note 1 post.
2 See the Courts and Legal Services Act 1990 ss 27, 28 (both as amended); the Institute of Trade Mark Attorneys Order 2005, SI 2005/240, art 2; and COURTS vol 10 (Reissue) para 331–332.
3 As to the Legal Services Ombudsman generally see SOLICITORS vol 44(1) (Reissue) para 426 et seq.
4 See the Courts and Legal Services Act 1990 s 22 (as amended); the Legal Services Ombudsman (Jurisdiction) Order 1990, SI 1990/2485, art 2, Schedule Pt I (as amended); and SOLICITORS vol 44(1) (Reissue) para 427.

B. THE REGISTER OF TRADE MARK AGENTS

39. General requirement to keep register of trade mark agents. The Secretary of State[1] may make rules requiring the keeping of a register of persons who act as agent for others for the purposes of applying for or obtaining the registration of trade marks[2]. The rules may contain such provision as the Secretary of State thinks fit regulating the registration of persons[3], and may in particular:

(1) require the payment of such fees as may be prescribed[4]; and
(2) authorise in prescribed cases the erasure from the register of the name of any person registered in it, or the suspension of a person's registration[5].

The rules may delegate the keeping of the register to another person[6], and may confer on that person:

(a) power to make regulations with respect to the payment of fees, in the cases and subject to the limits prescribed by the rules and with respect to any other matter which could be regulated by the rules[7]; and
(b) such other functions, including disciplinary functions, as may be prescribed by the rules[8].

1 As to the Secretary of State see para 14 ante.
2 Trade Marks Act 1994 s 83(1). At the date at which this volume states the law, the Register of Trade Mark Agents Rules 1990, SI 1990/1458 (as amended) (see para 40 et seq post), which came into force on 1 October 1990 (r 1), have effect as if made under this provision, by virtue of the Trade Marks Act 1994 s 105, Sch 3 para 22(1). Rules so continued in force may be varied or revoked by further rules made under the relevant provisions of the Trade Marks Act 1994: Sch 3 para 22(3). As to the making of rules generally see para 15 ante.

For the meaning of 'registration' in relation to trade marks see para 19 note 2 ante. For the meaning of 'trade mark' see para 57 post.
3 Ibid s 83(2).
4 Ibid s 83(2)(a).
5 Ibid s 83(2)(b).
6 Ibid s 83(3).
7 Ibid s 83(3)(a).
8 Ibid s 83(3)(b).

40. The register. There must be kept by the Institute of Trade Mark Attorneys[1] the register of trade mark agents[2] in which must be entered the name of each person who is entitled to be registered[3], together with his business address, the date of his registration,

his qualifications, and such other particulars as the registrar[4] may, at the request of that person, think fit to include[5]. A registered trade mark agent[6] must give notice to the registrar of any change in the particulars relating to him entered in the register; and the registrar must, on payment of the prescribed fee[7], if any, amend the register accordingly[8].

Not later than 1 April in each year the Institute must cause to be printed, published and placed on sale a copy of the entries in the register, with the names arranged alphabetically, as at the end of the preceding calendar year[9].

The registrar may, on being duly satisfied that any entry in the register has been made in error or that any entry is incorrect, erase or correct the same[10]. However, no such erasure or correction may be so made unless the registrar has first served notice of the proposed erasure or correction on the person appearing to him to be affected, has afforded that person the opportunity to make written representations regarding the same and has taken into account any such representations[11].

Names may also be erased for failure to pay the annual practising fee[12] or after due inquiry into misconduct[13].

The Comptroller General of Patents, Designs and Trade Marks[14] may from time to time give general directions to the Institute as to any matters relating to the register[15].

1 The Institute was formerly known as the Institute of Trade Mark Agents (see the Register of Trade Mark Agents Rules 1990, SI 1990/1458 (as originally enacted)), but is now known as the Institute of Trade Mark Attorneys (see r 2 (amended by SI 1999/983)). As to the continued relevance of these rules see para 39 note 2 ante.
2 'The register' means the register of trade mark agents required to be kept under the Register of Trade Mark Agents Rules 1990, SI 1990/1458 (as amended): r 2.
3 Ie pursuant to ibid r 10: see para 46 post.
4 As to the registrar see para 42 post.
5 Register of Trade Mark Agents Rules 1990, SI 1990/145, r 3.
6 For these purposes, 'registered trade mark agent' means a trade mark agent whose name is entered in the register: ibid r 2.
7 Ie the fee, if any, prescribed by regulations made under ibid r 20: see para 53 post.
8 Ibid r 11.
9 Ibid r 6.
10 Ibid r 13(1).
11 Ibid r 13(2).
12 See ibid r 12; and para 47 post.
13 See ibid r 14; and para 48 post.
14 Ibid r 2. As to the Comptroller General of Patents, Designs and Trade Marks see para 17 ante; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 664.
15 Register of Trade Mark Agents Rules 1990, SI 1990/145, r 21.

41. Special record. There must be kept by the Institute of Trade Mark Attorneys[1] a special record; and the registrar[2] must transfer to the special record the names and particulars of any person whose name has been erased from the register[3], and he must enter, against such name, the reason for the erasure[4].

1 As to the Institute of Trade Mark Attorneys see para 40 note 1 ante.
2 As to the registrar see para 42 post.
3 Ie under the Register of Trade Mark Agents Rules 1990, SI 1990/1458, r 12 (see para 47 post) or r 13 (see para 40 text to notes 10–11 ante) or pursuant to a direction under r 14 (see para 48 post). As to the continued relevance of these rules see para 39 note 2 ante. For the meaning of 'the register' see para 40 note 2 ante.
4 Ibid r 4.

42. The registrar of trade mark agents. There must be a registrar[1] who is charged with the duty of maintaining the register[2] and the special record[3] and who is[4] under the direction of the Institute of Trade Mark Attorneys[5]. The registrar must be

appointed by the Institute for a period of one year and is eligible, on ceasing to hold office, for reappointment; he holds office and must vacate his office in accordance with such terms and conditions as the Institute may, after consultation with the Comptroller General of Patents, Designs and Trade Marks, determine[6].

1 For these purposes, 'the registrar' means the person appointed in accordance with the Register of Trade Mark Agents Rules 1990, SI 1990/1458, r 7 to maintain the register: r 2.
2 For the meaning of 'the register' see para 40 note 2 ante.
3 As to the special record see para 41 ante.
4 Ie subject to the Register of Trade Mark Agents Rules 1990, SI 1990/1458 (as amended), and to any general directions of the Comptroller General of Patents, Designs and Trade Marks under r 21 (see para 40 text to note 15 ante). As to the continued relevance of these rules see para 39 note 2 ante. As to the Comptroller General of Patents, Designs and Trade Marks see para 17 ante; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 664.
5 Ibid r 7(1). As to the Institute of Trade Mark Attorneys see para 40 note 1 ante.
6 Ibid r 7(2).

43. Inspection of register and special record. The register[1] and the special record[2] or, if they are kept otherwise than in documentary form, entries therein made available in documentary form, must be open to public inspection at such times and in such manner as the registrar[3], subject to any general directions of the Comptroller General of Patents, Designs and Trade Marks[4], may direct[5].

1 For the meaning of 'the register' see para 40 note 2 ante.
2 As to the special record see para 41 ante.
3 As to the registrar see para 42 ante.
4 Ie under the Register of Trade Mark Agents Rules 1990, SI 1990/1458, r 21: see para 40 text to note 15 ante. As to the continued relevance of these rules see para 39 note 2 ante. As to the Comptroller General of Patents, Designs and Trade Marks see para 17 ante; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 664.
5 Ibid r 5.

C. QUALIFICATIONS FOR REGISTRATION

44. Qualifying examinations. The Institute of Trade Mark Attorneys[1] may by regulations[2] make provision for such educational qualifications, training and qualifying examinations, which examinations must be offered at least once in every year, as it considers appropriate for the registration of persons[3]; and it has[4] the entire management and control of such examinations[5].

Any such regulations may make transitional provision for candidates who have, before the coming into force of the regulations, entered for any examinations held or to be held by the Institute for the purpose of admission to ordinary membership of the Institute to complete or take the same or part or parts thereof or such other examinations in lieu thereof within such time and subject to such conditions as may be specified[6].

The Comptroller General of Patents, Designs and Trade Marks may from time to time give general directions to the Institute in relation to such matters as in his opinion will be conducive to the better regulation of any examinations held by the Institute[7].

1 As to the Institute of Trade Mark Attorneys see para 40 note 1 ante.
2 Ie by regulations made by it after consultation with the Chartered Institute of Patent Agents and with the approval of the Comptroller General of Patents, Designs and Trade Marks. As to the Chartered Institute of Patent Agents see PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 698. As to the Comptroller General of Patents, Designs and Trade Marks see para 17 ante; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 664.
3 Ie under the Register of Trade Mark Agents Rules 1990, SI 1990/1458 (as amended). As to the continued relevance of these rules see para 39 note 2 ante.

4 Ie subject to any such regulations and any general directions of the Comptroller under ibid r 21: see the text to note 7 infra.
5 Ibid r 8(1).
6 Ibid r 8(2).
7 Ibid r 21.

45. Qualifications for registration. Each of the following persons qualifies for registration[1] as a trade mark agent[2]:

(1) a person who has passed the qualifying examinations[3] of the Institute of Trade Mark Attorneys[4] and who has completed:
   (a) not less than two years' full-time practice in the field of intellectual property, including substantial experience in trade mark agency work[5], under the supervision of either a registered trade mark agent[6] or of a registered patent agent[7], barrister, solicitor or, in Scotland or the Isle of Man, an advocate, being a registered patent agent, barrister, solicitor or advocate who is engaged in or has substantial experience of trade mark agency work in the United Kingdom[8]; or
   (b) not less than four years' full-time practice in the field of intellectual property, including substantial experience in trade mark agency work in the United Kingdom[9];

(2) a fellow or an ordinary member of the Institute of Trade Mark Attorneys[10];

(3) a person, being a registered patent agent, or a barrister or solicitor or, in Scotland or the Isle of Man, an advocate, who has in the period of eight years immediately preceding the date he seeks to have his name entered in the register[11] a total of three years' practice in trade mark agency work[12];

(4) a person who has in the period of eleven years immediately preceding the date he seeks to have his name entered in the register completed a total of eight years of full-time practice in trade mark agency work[13]; and

(5) a person who passed in March 1990 the examination paper[14] set by the Chartered Institute of Patents Agents, and: (a) became a registered patent agent before 31 December 1992; or (b) passed before 31 December 1991 a special advanced trade mark examination paper set by the Institute of Trade Mark Attorneys pursuant to any regulations made[15] by it[16].

A person mentioned in head (2), head (3) or head (4) above was not entitled, by virtue of his qualification for registration thereunder, to have his name entered in the register[17] after the expiration of:

(i) in the case of the person mentioned in head (2) above, the period of three years commencing from 1 October 1990[18];

(ii) in the case of the person mentioned in head (3) above, the period of four years commencing from 1 October 1990[19]; and

(iii) in the case of the person mentioned in head (4) above, the period of two years commencing from 1 October 1990[20].

1 Ie under the Register of Trade Mark Agents Rules 1990, SI 1990/1458 (as amended). As to the continued relevance of these rules see para 39 note 2 ante.
2 Ibid r 9(1).
3 As to the qualifying examinations see para 44 ante.
4 Register of Trade Mark Agents Rules 1990, SI 1990/1458, r 9(1)(a). As to the Institute of Trade Mark Attorneys see para 40 note 1 ante.
5 For these purposes, 'trade mark agency work' means work done in the course of carrying on the business of acting as agent for others for the purpose of applying for or obtaining the registration of trade marks in the United Kingdom or of conducting proceedings before the Comptroller General of Patents, Designs and Trade Marks relating to applications for, or otherwise in connection with, the registration of trade marks: ibid r 2. For these purposes, 'United Kingdom' includes the Isle of Man: r 2. For the

meaning of 'United Kingdom' generally see para 3 note 2 ante. As to the Comptroller General of Patents, Designs and Trade Marks see para 17 ante; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 664.

6 For the meaning of 'registered trade mark agent' see para 40 note 6 ante.

7 For these purposes, 'registered patent agent' means a person whose name is entered in the register kept under rules made under the Copyright, Designs and Patents Act 1988 s 275 (see PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 697): Register of Trade Mark Agents Rules 1990, SI 1990/1458, r 9(3).

8 Ibid r 9(1)(a)(i).

9 Ibid r 9(1)(a)(ii).

10 Ibid r 9(1)(b).

11 Ie under ibid r 10: see para 46 post.

12 Ibid r 9(1)(c).

13 Ibid r 9(1)(d).

14 Ie the examination paper entitled 'Advanced Trade Marks Practice (T3)'.

15 Ie under the Register of Trade Mark Agents Rules 1990, SI 1990/1458, r 8: see para 44 ante.

16 Ibid r 9(1)(e).

17 Ibid r 9(2).

18 Ibid r 9(2)(a), (3).

19 Ibid r 9(2)(b), (3).

20 Ibid r 9(2)(c), (3).

46. Entitlement to registration. Unless a direction[1] by the Secretary of State[2] in relation to him is in force, a person who qualifies for registration[3] is entitled to have his name entered in the register[4] on production to the registrar[5] of evidence that he qualifies for registration and on the payment of the prescribed[6] fee[7].

For the purpose of satisfying himself that a person has completed the requisite number of years of practice, the registrar may require that person to submit to him a statutory declaration attesting to that fact and may require such further particulars of that practice as he may consider necessary[8].

Upon being satisfied after due inquiry[9] that a person, who would otherwise be entitled to be registered, has been guilty of misconduct, the Secretary of State may direct that the name of that person is not to be registered; and upon such direction the registrar must not, except with the prior consent of the Secretary of State, register the name of that person[10].

1 Ie under the Register of Trade Mark Agents Rules 1990, SI 1990/1458, r 10(3): see the text to note 10 infra. As to the continued relevance of these rules see para 39 note 2 ante.

2 As to the Secretary of State see para 14 ante.

3 Ie under the Register of Trade Mark Agents Rules 1990, SI 1990/1458 r 9: see para 45 ante.

4 For the meaning of 'the register' see para 40 note 2 ante.

5 As to the registrar see para 42 ante.

6 Ie the fee prescribed by regulations under the Register of Trade Mark Agents Rules 1990, SI 1990/1458, r 20: see para 53 post.

7 Ibid r 10(1).

8 Ibid r 10(2).

9 Ie in accordance with ibid r 15: see para 48 post.

10 Ibid r 10(3).

47. Erasure of name for failure to pay fee. If any registered trade mark agent[1] fails to pay any annual practice fee that may be prescribed[2] within one month from the day on which it becomes payable, the registrar[3] must send to him at his business address, as shown in the register[4], a notice requiring him to pay the fee on or before a day specified in the notice; and, if that person fails to pay the fee on or before that date, the registrar may erase his name from the register[5].

The name of a person so erased from the register may be restored to it by direction of the Institute of Trade Mark Attorneys[6] on payment by him of the fee or fees due from

him, together with such further sum not exceeding the amount prescribed for the annual practice fee as the Institute may in each particular case direct[7].

1 For the meaning of 'registered trade mark agent' see para 40 note 6 ante.
2 Ie by regulations made under the Register of Trade Mark Agents Rules 1990, SI 1990/1458, r 20: see para 53 post. As to the continued relevance of these rules see para 39 note 2 ante.
3 As to the registrar see para 42 ante.
4 For the meaning of 'the register' see para 40 note 2 ante.
5 Register of Trade Mark Agents Rules 1990, SI 1990/1458, r 12(1).
6 As to the Institute of Trade Mark Attorneys see para 40 note 1 ante.
7 Register of Trade Mark Agents Rules 1990, SI 1990/1458, r 12(2).

48. Erasure of registration after due inquiry into misconduct. Where the Secretary of State[1] is satisfied, after due inquiry[2], that a person has been guilty of misconduct, that is to say, conduct discreditable to a registered trade mark agent[3], he may at his discretion, having regard to the circumstances of the misconduct, direct that the name of that person be erased from the register[4]; and he may further direct that the name is to remain erased during such period as he may specify[5]. Upon such a direction the registrar[6] must erase the name and particulars of that person from the register accordingly[7].

Where it appears to the Secretary of State[8] that a person may have been guilty of misconduct, he must serve on that person ('the person affected') a notice[9]:

(1) informing him of the grounds on which it so appears to the Secretary of State and the substance of any allegations of misconduct made against him[10]; and
(2) inviting him to submit to the Secretary of State, within such period, being not less than 21 days, as may be specified in the notice, his representations in writing and requiring him to serve notice, if he wishes, of his intention to make oral representations[11].

A copy of the notice so served on the person affected and a copy of any written representations submitted by him to the Secretary of State must be served by the Secretary of State on the Institute of Trade Mark Attorneys[12].

Where the person affected has so served notice of his intentions to make oral representations, the Secretary of State must give him not less than 21 days' notice, or such shorter notice as the person affected may request or consent to accept, of the date, time and place at which his representations will be heard[13].

If the Secretary of State considers that he should proceed with his inquiry but for a reason which differs or on grounds which differ from those set out in the notice served by him, he must give[14] a further notice[15].

1 As to the Secretary of State see para 14 ante.
2 Ie in accordance with the Register of Trade Mark Agents Rules 1990, SI 1990/1458, r 15: see the text to notes 8–15 infra. As to the continued relevance of these rules see para 39 note 2 ante.
3 For the meaning of 'registered trade mark agent' see para 40 note 6 ante.
4 For the meaning of 'the register' see para 40 note 2 ante.
5 Register of Trade Mark Agents Rules 1990, SI 1990/1458, r 14.
6 As to the registrar see para 42 ante.
7 Register of Trade Mark Agents Rules 1990, SI 1990/1458, r 14.
8 Ie under ibid r 10(3) (see para 46 text to notes 9, 10 ante) or r 14 (see the text to notes 1–7 supra).
9 Ibid r 15(1).
10 Ibid r 15(1)(a).
11 Ibid r 15(1)(b).
12 Ibid r 15(2). As to the Institute of Trade Mark Attorneys see para 40 note 1 ante.
13 Ibid r 15(3).
14 Ie under ibid r 15(1): see the text to notes 8–11 supra.
15 Ibid r 15(4).

49. Hearing of representations. At the hearing of oral representations[1] the Secretary of State[2] must, at the request of the person affected[3], permit any other person, in addition to the person affected, to make representations on his behalf or to give evidence or to introduce documents for him[4]. The Secretary of State may not refuse to admit evidence solely on the grounds that it would not be admissible in a court of law[5].

The hearing may be adjourned at the discretion of the Secretary of State; and, if the hearing is so adjourned, he must give the person affected reasonable notice of the date, time and place at which the hearing is to be resumed[6].

The Secretary of State must inform the Institute of Trade Mark Attorneys[7] of the date, time and place appointed for any hearing, and the Institute is entitled to be represented at the hearing and to make submissions touching on the matters in issue[8].

1 Ie held pursuant to the Register of Trade Mark Agents Rules 1990, SI 1990/1458, r 15(3): see para 48 text to note 13 ante. As to the continued relevance of these rules see para 39 note 2 ante.
2 As to the Secretary of State see para 14 ante.
3 For the meaning of 'the person affected' see para 48 ante.
4 Register of Trade Mark Agents Rules 1990, SI 1990/1458, r 16(1).
5 Ibid r 16(2).
6 Ibid r 16(3).
7 As to the Institute of Trade Mark Attorneys see para 40 note 1 ante.
8 Register of Trade Mark Agents Rules 1990, SI 1990/1458, r 16(4).

50. Decision. In deciding whether to issue a direction, the Secretary of State[1] must take into account any written or oral representations duly made[2] and:

(1) if he decides not to issue a direction, he must give notice of that decision to the person affected[3], the Institute of Trade Mark Attorneys[4] and, where the decision relates to any allegations of misconduct made by any person against the person affected, to that person, if known, although he need not state the reasons for that decision[5];

(2) if he decides to issue a direction, he must give notice of his decision, the terms thereof and his reasons for the decision to the person affected, the Institute and, where the decision relates to any allegations of misconduct made by any person against the person affected, to that person, if known[6].

1 As to the Secretary of State see para 14 ante.
2 Register of Trade Mark Agents Rules 1990, SI 1990/1458, r 17. The representations referred to in the text are those which are made in accordance with r 15 (see para 48 ante) and r 16 (see para 49 ante). As to the continued relevance of these rules see para 39 note 2 ante.
3 For the meaning of 'the person affected' see para 48 ante.
4 As to the Institute of Trade Mark Attorneys see para 40 note 1 ante.
5 Register of Trade Mark Agents Rules 1990, SI 1990/1458, r 17(a).
6 Ibid r 17(b).

51. Restoration of name to the register. On an application made to him by a person whose name has been erased from the register after due inquiry into misconduct[1], the Secretary of State[2] may, if he thinks fit, direct that the name of that person is to be restored to the register; and he may further direct that such restoration is to be made either without a fee or on payment of such fee as he may fix not exceeding the prescribed fee[3] for the registration of a name[4].

Upon a direction for the restoration of the name of a person, the registrar[5] must restore the name and particulars of that person to the register and must, in the case of a person whose name has been erased for a specified period and in respect of whom no direction has been issued under this provision, restore his name and particulars upon the expiration of that period and upon payment of the prescribed fee for the registration of a name[6].

1 Ie under the Register of Trade Mark Agents Rules 1990, SI 1990/1458, r 14: see para 48 ante. For the meaning of 'the register' see para 40 note 2 ante. As to the continued relevance of these rules see para 39 note 2 ante.
2 As to the Secretary of State see para 14 ante.
3 Ie the fee prescribed by regulations made under the Register of Trade Mark Agents Rules 1990, SI 1990/1458, r 20: see para 53 post.
4 Ibid r 18(1).
5 As to the registrar see para 42 ante.
6 Register of Trade Mark Agents Rules 1990, SI 1990/1458, r 18(2).

D. APPEALS

52. Appeal to the Comptroller General of Patents, Designs and Trade Marks from decision of the Institute of Trade Mark Attorneys or the registrar. A person aggrieved by any decision of the Institute of Trade Mark Attorneys[1] or the registrar[2] may appeal to the Comptroller General of Patents, Designs and Trade Marks[3] by serving on the Comptroller, within one month from the date of the decision, a notice of appeal, stating the grounds of appeal with a statement of his case in support thereof[4]. A copy of the notice with a copy of the statement of case must, at the same time, be served by that person ('the appellant') on the Institute or the registrar, as appropriate[5].

On receipt of the notice of appeal, the Comptroller must give such directions as he thinks fit for the purpose of hearing the appeal and must give the appellant and the Institute or the registrar, as the case may be, not less than 14 days' notice, or such shorter notice as the appellant and the Institute or registrar may consent to accept, of the date, time and place appointed for the hearing of the appeal[6].

At the hearing the Comptroller must, at the request of any party, permit any other person, in addition to that party, to appear on his behalf[7].

The Comptroller must give his decision on the appeal in writing with a statement of his reasons and must serve a copy thereof on the appellant and the Institute or the registrar[8].

The Comptroller's decision on the appeal is final; and for the purposes of giving effect to it he may give such directions to the Institute or the registrar as he thinks fit[9].

1 As to the Institute of Trade Mark Attorneys see para 40 note 1 ante.
2 As to the registrar see para 42 ante.
3 As to the Comptroller General of Patents, Designs and Trade Marks see para 17 ante; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 664.
4 Register of Trade Mark Agents Rules 1990, SI 1990/1458, r 19(1). As to the continued relevance of these rules see para 39 note 2 ante.
5 Ibid r 19(1).
6 Ibid r 19(2).
7 Ibid r 19(3).
8 Ibid r 19(4).
9 Ibid r 19(5).

E. FEES

53. In general. The Institute of Trade Mark Attorneys[1] may, by regulations made by it with the approval of the Comptroller General of Patents, Designs and Trade Marks[2], prescribe the fees to be paid[3] by:

(1) every candidate for any examinations, or part or parts thereof, duly held[4];
(2) every person for the registration of his name[5];
(3) every registered trade mark agent[6] as an annual practice fee[7];
(4) a registered trade mark agent requesting an amendment of the register[8],

and any such regulations may provide for the remission or refund of any fees in such circumstances as may be prescribed thereunder[9].

When prescribing any fees for the purposes of head (1) above, the Institute must, as far as practicable, secure that the income therefrom does not exceed the expenditure properly incurred in administering any examinations, taking one year with another[10].

1 As to the Institute of Trade Mark Attorneys see para 40 note 1 ante.
2 As to the Comptroller General of Patents, Designs and Trade Marks see para 17 ante; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 664.
3 Register of Trade Mark Agents Rules 1990, SI 1990/1458, r 20(1). As to the continued relevance of these rules see para 39 note 2 ante.
4 Ibid r 20(1)(a). The examinations referred to in the text are those which are held in accordance with regulations made under r 8 (see para 44 ante).
5 Ibid r 20(1)(b).
6 For the meaning of 'registered trade mark agent' see para 40 note 6 ante.
7 Register of Trade Mark Agents Rules 1990, SI 1990/1458, r 20(1)(c).
8 Ibid 20(1)(d). The amendment referred to in the text is an amendment made under r 11 (see para 40 ante). For the meaning of 'the register' see para 40 note 2 ante.
9 Ibid r 20(1).
10 Ibid r 20(2).

F. REPORT OF THE INSTITUTE

54. In general. The Institute of Trade Mark Attorneys[1] must before 30 April in every year send to the Comptroller General of Patents, Designs and Trade Marks[2] a report[3] stating:

(1) the number of applications for registration which were made in the preceding year and the number of registrations effected in that year[4];
(2) the examinations which were held in that year and the results of them[5];
(3) the amount of the fees received by the Institute in that year[6]; and
(4) that the limitation on income from fees for examinations[7] has been complied with and showing, by reference to income and expenditure, its compliance with that limitation[8],

and must include in the report a statement on such other matters[9] as the Comptroller may from time to time require[10].

1 As to the Institute of Trade Mark Attorneys see para 40 note 1 ante.
2 As to the Comptroller General of Patents, Designs and Trade Marks see para 17 ante; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 664.
3 Register of Trade Mark Agents Rules 1990, SI 1990/1458, r 22. As to the continued relevance of these rules see para 39 note 2 ante.
4 Ibid r 22(a).
5 Ibid r 22(b).
6 Ibid r 22(c).
7 Ie ibid r 20(2): see para 53 ante.
8 Ibid r 22(d).
9 Ie in relation to the provisions of the Register of Trade Mark Agents Rules 1990, SI 1990/1458 (as amended), including any regulations made by the Institute pursuant thereto.
10 Ibid r 22.

(3) REQUIREMENTS FOR THE REGISTRATION OF UNITED KINGDOM TRADE MARKS AND FOR PROTECTION OF INTERNATIONAL MARKS

(i) Introduction

55. In general. Any sign[1] may be registered as a trade mark pursuant to a United Kingdom application unless one of a number of specified grounds for refusal exists; the registrar[2] has no discretion to refuse an application if none of these grounds applies[3]. The grounds for refusal are divided into two classes, described in the Trade Marks Act 1994 as 'absolute grounds for refusal'[4] and 'relative grounds for refusal'[5]. The absolute grounds for refusal are concerned with the intrinsic qualities of the trade mark itself, whereas the relative grounds for refusal are concerned with conflict with the prior rights of third parties. In addition, registration may, or in some cases must, be refused if the trade mark contains or consists of certain specially protected emblems[6]. The same grounds for refusal apply to the protection of an international registration[7] designating the United Kingdom, since such a registration is entitled to become protected if it satisfies the requirements for registration imposed on domestic applications[8].

Where grounds for refusal of registration exist in respect of only some of the goods or services for which the trade mark has been applied for, refusal of registration must cover those goods or services only[9].

1 As to the meaning of 'sign' see para 57 note 1 post.
2 As to the registrar see para 17 ante.
3 *EUROLAMB Trade Mark* [1997] RPC 279, Appointed Person; *Procter & Gamble Ltd's Trade Mark Applications* [1999] RPC 673, CA; and see para 381 post. Cf the position on an application for revocation or a declaration of invalidity: see para 111 post.
4 See the Trade Marks Act 1994 s 3, marginal note. The same term is employed in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 7 (as amended): see para 209 et seq post. As to the effect of marginal notes see STATUTES vol 44(1) (Reissue) para 1276. As to the absolute grounds for refusal of registration see para 58 et seq post.
5 See the Trade Marks Act 1994 s 5, marginal note. The same term is employed in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 8 (as amended): see para 218 et seq post. As to the relative grounds for refusal of registration see para 70 et seq post.
6 See the Trade Marks Act 1994 s 4 (as amended); and para 66 post.
7 Ie from an application made to the International Bureau under the Madrid Protocol: see para 11 ante. As to the Madrid Protocol see para 8 ante.
8 See the Trade Marks (International Registration) Order 1996, SI 1996/714, art 3(1). The terminology used for international trade marks is different since they 'become protected' in the United Kingdom rather than being registered, but the substantive requirements which they need to satisfy are the same: see para 13 ante.
9 See EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 13; and para 381 post.

56. Date of assessment. Except where there is a valid claim to priority[1], when considering whether a sign may be registered as a trade mark, the applicability of both the absolute and the relevant grounds of refusal[2] must be considered as at the date of filing of the application[3]. The same rule applies when considering whether a registration should be declared invalid[4], except where the proprietor relies upon distinctive character acquired by use as an answer to an objection that the trade mark lacked distinctiveness[5].

1 Ie under the Trade Marks Act 1994 ss 35, 36. As to priority see para 378 et seq post.
2 Ie under ibid ss 3, 5. As to meanings of 'absolute grounds of refusal' and 'relative grounds of refusal' see para 55 ante.
3 See eg Case C-192/03 *Alcon Inc v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR I-8993, ECJ; Case T-247/01 *eCopy Inc v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2002] ECR II-5301, (2002) Times, 31 December, CFI; *Bongrain SA's Trade Mark*

Application [2004] EWCA Civ 1690, [2005] RPC 306; *HOTPICKS Trade Mark* [2004] EWHC 689 (Ch), [2004] RPC 834; but see also Joined Cases C-456/01P and C-457/01P *Henkel KGaA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR I-5089, [2005] IP & T 1, ECJ (declining to rule on question whether distinctiveness must also be judged as at date of registration). Nevertheless it is legitimate to take account of evidence from a later date if and in so far as it enables the drawing of conclusions as to the situation at the date of filing: Case C-192/03 *Alcon Inc v Office for Harmonisation in the Internal Market* supra; c f Case C-259/02 *La Mer Technology Inc v Laboratories Goemar SA* [2004] ECR I-1159, ECJ. As to the date of filing see para 366 post.

4 Ie under the Trade Marks Act 1994 s 47: see para 118 et seq post.

5 Ie by virtue of the proviso to ibid s 47(1): see para 118 post.

57. Meaning of 'trade mark'. For the purposes of the Trade Marks Act 1994, 'trade mark' means any sign[1] capable of being represented graphically[2] which is capable of distinguishing goods or services of one undertaking from those of other undertakings[3]. A trade mark may, in particular, consist of words (including personal names), designs, letters, numerals or the shape of goods or their packaging[4].

References in the Act to a trade mark include, unless the context otherwise requires, references to a collective mark[5] or certification mark[6].

1 A sign is anything which is capable of conveying information: *Philips Electronics BV v Remington Consumer Products Ltd* [1998] RPC 283 at 298 per Jacob J; affd on other grounds [1999] RPC 809, [1999] All ER (D) 465, CA; referred to ECJ sub nom C-299/99 *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* [2003] Ch 159, [2002] ECR I-5475, ECJ. The subject matter of an application for trade mark registration which relates to all the conceivable shapes of a transparent bin or collection chamber forming part of the external surface of a vacuum cleaner is not a sign: Case C-321/03 *Dyson Ltd v Registrar of Trade Marks* [2007] ETMR 34, [2007] All ER (D) 201 (Jan). It has also been doubted whether an alignment of symbols on a fruit machine occurring on a (pseudo) random basis is a sign (*Electrocoin Automatics Ltd v Coinworld Ltd* [2004] EWHC 1498 (Ch) at [138], [2005] FSR 7 at [138], [2005] IP & T 132 at [138] per G Hobbs QC). See also the text and note 4 infra.

2 To satisfy this requirement, the sign must be represented by graphical means, in particular images, lines or characters, and the representation must be clear, precise, self-contained, easily accessible, durable and objective: Case C-273/00 *Sieckmann v Deutsches Patent- und Markenamt* [2003] Ch 487, [2002] ECR I-11737, ECJ; Case C-104/01 *Libertel Groep BV v Benelux-Merkenbureau* [2004] Ch 83, [2003] ECR I-3793, ECJ; Case C-283/01 *Shield Mark BV v Kist (t/a Memex)* [2004] Ch 97, [2003] ECR I-14313, ECJ; Case C-49/02 *Heidelberger Bauchemie GmbH* [2004] ECR I-6129, ECJ. A mere sample of colour does not satisfy this requirement, but a sample of a colour combined with a description in words of that colour may do so, as may a designation using an internationally recognised identification code: Case C-273/00 *Libertel Groep BV v Benelux-Merkenbureau* supra. The mere juxtaposition of two colours, without shape or contours, does not satisfy this requirement, but a systematic arrangement of two colours in a predetermined and uniform way may do so: Case C-49/02 *Heidelberger Bauchemie GmbH* supra. A description of a sound in words or using onomatopoeia or by means of a sequence of musical notes without more does not satisfy this requirement, but full musical notation may do so: Case C-283/01 *Shield Mark BV v Kist (t/a Memex)* supra. In the case of a spoken mark a sonogram has been held to comply with this requirement: Case R 295/2005–4 *Hexal AG's Application* (8 September 2005, unreported), OHIM Board of Appeal. A representation of an odour by means of a chemical formula, a description in words or the deposit of a sample or all three does not satisfy this requirement: Case C-273/00 *Sieckmann v Deutsches Patent- und Markenamt* supra; Case T-305/04 *Eden SARL v Office for Harmonisation in the Internal Market* [2006] ETMR 14, CFI (decision made under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e arts 4, 7(1)(a) (see paras 208, 210 post)). The same applies to a taste or flavour: Case R 120/2001–2 *Eli Lilly & Co's Application* [2004] ETMR 4, OHIM Board of Appeal (decision made under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e arts 4, 7(1)(a) (see paras 208, 210 post)). In the case of a three-dimensional sign, it may be necessary for the applicant to present a clearly defined image of the sign; a mere description, even if conveying the clear and precise appearance of the sign, is not sufficient: Case R 156/1998–2 *Antoni and Alison's Application* [1998] ETMR 460, OHIM Board of Appeal (method of packing) (decision made under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e arts 4, 7(1)(a) (see paras 208, 210 post)); *Swizzels Matlow Ltd's Application* [1999] RPC 879, Appointed Person (shape of a sweet); and see Case C-321/03 *Dyson Ltd v Registrar of Trade Marks* [2007] ETMR 34 at [57]–[66], [2007] All ER (D) 201 (Jan) at [57]–[66] per Léger AG.

Even if the representation satisfies this requirement, lack of precision in the representation may have adverse consequences for the distinctiveness of the trade mark: see *Nestlé SA's Trade Mark Application* [2004] EWCA Civ 1008, [2005] RPC 77, sub nom *Société des Produits Nestlé SA v Mars UK Ltd* [2005] IP & T 551.

As to whether an inadequate graphical representation filed initially can subsequently be rectified and the impact on the date of filing if this is done see paras 366, 375 post.

3 Trade Marks Act 1994 s 1(1) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 2). Signs which do not satisfy the requirements of the Trade Marks Act 1994 s 1(1) may not be registered as trade marks: see s 3(1); and paras 59–60 post.

A sign is only incapable of distinguishing goods or services of one undertaking from those of other undertakings for this purpose if it is incapable of distinguishing the goods or services of the former from those of the latter irrespective of the goods or services in relation to which the sign may be used: Case C-363/99 *Koninklijke KPN Nederland NV v Benelux-Merkenbureau* [2006] Ch 1, [2004] ECR I-1619, ECJ.

A sign which consists of the shape of an article does not require any capricious addition, such as an embellishment which has no functional purpose, in order to be capable of distinguishing it for this purpose: Case C-299/99 *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* [2003] Ch 159, [2002] ECR I-5475, ECJ.

4 Trade Marks Act 1994 s 1(1). Trade marks may also consist of slogans: Case C-64/02P *Office for Harmonisation in the Internal Market (Trade Marks and Designs) v Erpo Möbelwerk GbmH* [2004] ECR I-10031, ECJ. Trade marks may also consist of colours, sounds and odours provided that the requirement for graphical representation is complied with: Case C-273/00 *Sieckmann v Deutsches Patent- und Markenamt* [2003] Ch 487, [2002] ECR I-11737, ECJ; Case C-104/01 *Libertel Groep BV v Benelux-Merkenbureau* [2004] Ch 83, [2003] ECR I-3793, ECJ; Case C-283/01 *Shield Mark BV v Kist (t/a Memex)* [2004] Ch 97, [2003] ECR I-14313, ECJ; Case C-49/02 *Heidelberger Bauchemie GmbH* [2004] ECR I-6129, ECJ. It appears that trade marks may also consist of moving images; the registrar's practice is to accept moving image marks represented by a series of still images: Practice Amendment Circular PAC 2/00.

5 As to collective marks see para 155 et seq post. In relation to a collective mark the reference in the Trade Marks Act 1994 s 1(1) (see the text to notes 1–4 supra) to distinguishing goods or services of one undertaking from those of other undertakings is to be construed as a reference to distinguishing goods or services of members of the association which is the proprietor of the mark from those of other undertakings: s 49(2), Sch 1 para 2.

6 Ibid s 1(2). As to certification marks see para 165 et seq post. In relation to a certification mark the reference in s 1(1) (see the text to notes 1–4 supra) to distinguishing goods or services of one undertaking from those of other undertakings is to be construed as a reference to distinguishing goods or services which are certified from those which are not: s 50(2), Sch 2 para 2.

(ii) Absolute Grounds for Refusal of Registration

58. In general. Each of the absolute grounds of refusal[1] is independent of the others and calls for separate examination[2]. This examination must be stringent and full in order to prevent trade marks from being improperly registered[3]. The registrar[4] must have regard to all the relevant facts and circumstances, as must the appointed person[5] or the court[6] on appeal from the registrar subject to the limits on their powers[7]. In assessing the applicability of the absolute grounds for refusal, the limits on the effects of the trade mark once registered[8] are immaterial[9]. Account may be taken of decisions in other member states to register the same trade mark in respect of the same goods or services, but such decisions cannot be regarded as decisive[10].

1 As to the meaning of 'absolute grounds of refusal' see para 55 ante. As to the grounds of refusal see para 59 et seq post.

2 Joined Cases C-53/01 and C-55/01 *Re Linde AG* [2003] ECR I-3161, sub nom *Linde AG v Deutsches Patent- und Markenamt* [2003] RPC 803, ECJ; Case C-363/99 *Koninklijke KPN Nederland NV v Benelux-Merkenbureau* [2006] Ch 1, [2004] ECR I-1619, ECJ; Case C-265/00 *Campina Melkunie BV v Benelux-Merkenbureau* [2004] ECR I-1699, [2004] IP & T 959, ECJ; Joined Cases C-456/01P and C-457/01P *Henkel KGaA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR I-5089, [2005] IP & T 1, ECJ; Case C-329/02P *SAT.1 Satelliten Fernsehen GmbH v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR I-8317, ECJ; Case 64/02P

Office for Harmonisation in the Internal Market (Trade Marks and Designs) v Erpo Möbelwerk GbmH [2004] ECR I-10031, ECJ; Case C-37/03P *BioID AG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2005] ECR I-7975, [2005] All ER (D) 80 (Sep), ECJ.

3 Case C-104/01 *Libertel Groep BV v Benelux-Merkenbureau* [2004] Ch 83, [2003] ECR I-3793, ECJ; Case C-64/02P *Office for Harmonisation in the Internal Market (Trade Marks and Designs) v Erpo Möbelwerk GbmH* [2004] ECR I-10031, ECJ.

4 As to the registrar see para 17 ante.

5 As to appeals to the appointed person see para 406 et seq post.

6 As to appeals to the court see para 409 et seq post.

7 Case C-363/99 *Koninklijke KPN Nederland NV v Benelux-Merkenbureau* [2006] Ch 1, [2004] ECR I-1619, ECJ; Case C-49/02 *Heidelberger Bauchemie GmbH* [2004] ECR I-6129, ECJ.

8 As to the limits on the effect of a trade mark once registered see the Trade Marks Act 1994 s 11; and para 92 et seq post.

9 Case C-104/01 *Libertel Groep BV v Benelux-Merkenbureau* [2004] Ch 83, [2003] ECR I-3793, ECJ; Case C-404/02 *Nichols plc v Registrar of Trade Marks* [2004] ECR I-8499, [2005] All ER (EC) 1, ECJ.

10 Case C-218/01 *Henkel KGaA v Deutsches Patent- und Markenamt* [2004] ECR I-1725, ECJ.

59. Signs which cannot constitute trade marks. Signs which do not satisfy the requirements of the statutory definition of a trade mark[1] may not be registered[2].

1 Ie signs which do not satisfy the requirements of the Trade Marks Act 1994 s 1(1): see para 57 ante. There is no category of signs which is not excluded from registration by s 3(1)(b)–(d), (3) but which is nonetheless excluded from registration by s 3(1)(a): Case C-299/99 *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* [2003] Ch 159, [2002] ECR I-5475, ECJ.

2 Trade Marks Act 1994 s 3(1)(a) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 3(1)(a)). For the meaning of 'registered' see para 19 note 2 ante. In the case of an international trade mark, the mark 'becomes protected': see paras 13, 55 note 8 ante.

60. Lack of distinctive character. The following must not be registered[1]:

(1) trade marks[2] which are devoid of any distinctive character[3];

(2) trade marks which consist exclusively of signs or indications which may serve, in trade[4], to designate the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of services, or other characteristics of goods or services[5];

(3) trade marks which consist exclusively of signs or indications which have become customary in the current language or in the bona fide and established practices of the trade[6].

A trade mark must not, however, be refused registration by virtue of head (1), head (2) or head (3) above if, before the date of application for registration[7], it has in fact acquired a distinctive character as a result of the use[8] made of it[9].

1 Trade Marks Act 1994 s 3(1). For the meaning of 'registered' see para 19 note 2 ante. In the case of an international trade mark, the mark 'becomes protected': see paras 13, 55 note 6 ante.

2 For the meaning of 'trade mark' see para 57 ante.

3 Trade Marks Act 1994 s 3(1)(b) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 3(1)(b)). Despite its position the Trade Marks Act 1994 s 3(1)(b) (see head (1) in the text) performs 'a residual or sweeping-up function' backing up s 3(1)(c), (d) (see heads (2), (3) in the text): *Proctor & Gamble Ltd's Trade Mark Application* [1999] RPC 673 at 679, CA, per Robert Walker LJ. This is because lack of distinctive character is the essence of any objection under the Trade Marks Act 1994 s 3(1)(b), (c) or (d): *West (t/a Eastenders) v Fuller Smith & Turner plc* [2003] EWCA Civ 48, [2003] FSR 44, [2003] IP & T 769. Thus a word mark which is descriptive of characteristics of the goods or services for the purposes of the Trade Marks Act 1994 s 3(1)(c) is necessarily devoid of distinctive character within s 3(1)(b): Case C-363/99 *Koninklijke KPN Nederland NV v Benelux-Merkenbureau* [2006] Ch 1, [2004] ECR I-1619, ECJ; Case C-265/00 *Campina Melkunie BV v Benelux-Merkenbureau* [2004] ECR I-1699, [2004] IP & T 959, ECJ. Conversely, a mark which is not descriptive may nevertheless be devoid of distinctive character: Joined Cases C-53/01 and C-55/01 *Re Linde AG* [2003] ECR I-3161, sub nom *Linde AG v Deutsches Patent- und Markenamt* [2003] RPC 803, ECJ; Case C-363/99 *Koninklijke KPN Nederland NV v Benelux-Merkenbureau* supra.

For a trade mark to possess distinctive character, it must serve to identify the goods or services in respect of which registration is applied for as originating from a particular undertaking and thus to distinguish the goods or services from those of other undertakings: Case C-299/99 *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* [2003] Ch 159, [2002] ECR I-5475, ECJ; Joined Cases C-53/01 and C-55/01 *Linde AG v Deutsches Patent- und Markenamt* supra; Joined Cases C-456/01P and C-457/01P *Henkel KGaA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR I-5089, [2005] IP & T 1, ECJ; Case C-136/02P *Mag Instrument Inc v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR I-9165, [2004] All ER (D) 75 (Oct), ECJ.

The distinctive character of a mark must be assessed: (1) in relation to the goods or services in respect of which registration is applied for; and (2) according to the perception of the average consumer of those goods or services, who is deemed to be reasonably well-informed and reasonably observant and circumspect: Case C-299/99 *Koninklijke Philips Electronics v Remington Consumer Products* supra; Joined Cases C-53/01 and C-55/01 *Linde AG v Deutsches Patent- und Markenamt* supra; Case C-104/01 *Libertel Groep BV v Benelux-Merkenbureau* [2004] Ch 83, [2003] ECR I-3793, ECJ; Case C-218/01 *Henkel KGaA v Deutsches Patent- und Markenamt* [2004] ECR I-1725, ECJ; Case C-363/99 *Koninklijke KPN Nederland NV v Benelux-Merkenbureau* supra; Joined Cases C-468/01P to C-472/01P *Procter & Gamble Co v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR I-5141, [2005] IP & T 1, ECJ; Case C-445/02P *Glaverbel SA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR I-6267, ECJ; Joined Cases C-456/01P and C-457/01P *Henkel KGaA v Office for Harmonisation in the Internal Market* supra. The fact that a sign is a capable of constituting a trade mark does not necessarily mean that the sign has distinctive character in relation to a specific product or service: Joined Cases C-456/01P and C-457/01P *Henkel KGaA v Office for Harmonisation in the Internal Market* supra; Joined Cases C-468/01P to C-472/01P *Procter & Gamble Co v Office for Harmonisation in the Internal Market* supra.

The average consumer normally perceives a trade mark as a whole rather than analysing its details and therefore, in order to assess whether it has any distinctive character, the overall impression given by it must be considered; but it is legitimate for the competent authority first to examine each of the individual components of the mark: Case C-104/00P *DKV Deutsche Krankenversicherung AG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2002] ECR I-7561, [2002] All ER (D) 100 (Sep), ECJ; Joined Cases C-468/01P to C-472/01P *Procter & Gamble Co v Office for Harmonisation in the Internal Market* supra; Case C-329/02P *SAT.1 Satelliten Fernsehen GmbH v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR I-8317, ECJ; Case C-136/02P *Mag Instrument Inc v Office for Harmonisation in the Internal Market* supra; Case C-286/04P *Eurocermex SA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2005] ECR I-5797, [2005] IP & T 965, ECJ.

It is not necessary to establish distinctive character to show that the mark has a particular level of creativity or imagination or originality; but nor is it necessary to establish that the mark is devoid of distinctive character to show that the mark is commonly used or capable of being commonly used: Case C-329/02P *SAT.1 Satelliten Fernsehen GmbH v Office for Harmonisation in the Internal Market* supra; Case 64/02P *Office for Harmonisation in the Internal Market (Trade Marks and Designs) v Erpo Möbelwerk GbmH* [2004] ECR I-10031, ECJ; Case C-37/03 *BioID AG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2005] ECR I-7975, ECJ.

The Court of First Instance has consistently held that a minimum degree of distinctive character is sufficient to render this ground of refusal inapplicable: Case T-34/00 *Eurocool Logistik GmbH v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2002] ECR II-683, [2002] IP & T 756, CFI; Case T-79/00 *Rewe-Zentral AG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2002] ECR II-705, [2002] IP & T 533, CFI; Case T-128/01 *DaimlerChrysler Corpn v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2003] ECR II-701, [2004] IP & T 150, CFI; Case T-305/02 *Nestlé Waters France v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2003] ECR II-5207, [2004] IP & T 664, CFI; Case T-320/03 *Citicorp v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2005] All ER (D) 81 (Sep), CFI. The European Court of Justice has held that it is not necessary to rule upon the possible dividing line between the concept of lack of distinctiveness and that of minimum distinctiveness: Case C-104/00P *Deutsche Krankenversicherung AG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2002] ECR I-7561, [2002] All ER (D) 100 (Sep), ECJ.

A trade mark can lose its distinctive character as a result of use by third parties: Case T-237/01 *Alcon Inc v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2003] ECR II-411, CFI; *BACH and BACH FLOWER REMEDIES Trade Marks* [2000] RPC 513, sub nom *Bach Flower Remedies Ltd v Healing Herbs Ltd* [1999] IP & T 146, CA; *Rugby Football Union v Cotton Traders Ltd* [2002] EWHC 467 (Ch), [2002] IP & T 646, [2002] ETMR 76; *Score Draw Ltd v Finch* [2007] EWHC 462 (Ch), [2007] FSR 508, [2007] ETMR 54.

The criteria for assessment of distinctive character are the same for all categories of trade marks; but nevertheless the perception of the relevant public is not the same for all categories of trade marks and it

may therefore be more difficult to establish distinctive character in relation to some categories (such as shapes, surface treatments, colours, personal names and advertising slogans) than others: Joined Cases C-53/01 and C-55/01 *Linde AG v Deutsches Patent- und Markenamt* supra; Case C-104/01 *Libertel Groep BV v Benelux-Merkenbureau* supra; Joined Cases C-456/01P and C-457/01P *Henkel KGaA v Office for Harmonisation in the Internal Market* supra; Case C-445/02P *Glaverbel SA v Office for Harmonisation in the Internal Market* supra; Case C-404/02 *Nichols plc v Registrar of Trade Marks* [2004] ECR I-8499, [2005] All ER (EC) 1, ECJ; Case C-136/02P *Mag Instrument Inc v Office for Harmonisation in the Internal Market* supra; Case 64/02P *Office for Harmonisation in the Internal Market (Trade Marks and Designs) v Erpo Möbelwerk GbmH* supra; Case C-447/02P *KWS Saat AG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR I-10107, [2007] IP & T 314, [2004] All ER (D) 294 (Oct), ECJ.

In the case of shapes, the more closely the shape for which registration is sought resembles the shape most likely to be taken by the product in question, the greater the likelihood of the shape being devoid of distinctive character; only a trade mark which departs significantly from the norms or customs of the sector and thereby fulfils its essential function of indicating origin is likely to possess distinctive character: Joined Cases C-456/01P and C-457/01P *Henkel KGaA v Office for Harmonisation in the Internal Market* supra; Joined Cases C-468/01P to C-472/01P *Procter & Gamble Co v Office for Harmonisation in the Internal Market* supra; Case C-136/02P *Mag Instrument Inc v Office for Harmonisation in the Internal Market* supra; Case T-15/05 *Wim De Waele v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2007] IP & T 1, [2006] All ER (D) 10 (Jun). The same applies to shapes consisting of the packaging of goods, such as liquids, which are packaged in trade for reasons linked to the very nature of the product: Joined Cases C-456/01P and C-457/01P *Henkel KGaA v Deutsches Patent- und Markenamt* supra; Case C-173/04P *Deutsche SiSi-Werke GmbH & Co Betriebs KG v Office for Harmonisation in the Internal Market* [2006] ETMR 41, ECJ. For this purpose the sector extends wider than just the goods for which registration is sought: Case C-173/04P *Deutsche SiSi-Werke GmbH & Co Betriebs KG v Office for Harmonisation in the Internal Market* supra. It is not enough to establish distinctive character that the shape is striking and unusual without more: *Bongrain SA's Trade Mark Application* [2004] EWCA Civ 1690, [2005] RPC 306, [2005] IP & T 563. Where, however, there is an established practice of using shapes to distinguish the trade origin of goods, the position is different: Case T-128/01 *DaimlerChrysler Corpn v Office for Harmonisation in the Internal Market* supra (car radiator grilles).

In the case of colours, a single colour per se is very unlikely to be distinctive without use: Case C-104/01 *Libertel Groep BV v Benelux-Merkenbureau* supra; Case C-447/02 *KWS Saat AG v Office for Harmonisation in the Internal Market* supra.

In the case of personal names, it is not legitimate to assess distinctive character by applying general criteria such as the number of entries in telephone directories (*Nichols plc v Registrar of Trade Marks* supra) but it is legitimate as part of a specific assessment of the distinctive character of the mark to take into account the commonness of the name and the extent to which personal names are used to designate commercial origin in the sector in question (*Oska's Ltd's Trade Mark Application* [2005] RPC 525, Appointed Person).

A mark that is perceived by the average consumer as a mere promotional slogan, particularly one that commends some attribute of the goods or services in question, lacks distinctive character: Case T-130/01 *Sykes Enterprises Inc v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2002] ECR II-5179, [2003] IP & T 213, CFI; Case T-216/02 *Fieldturf Inc v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR II-1023, CFI; Case T-281/02 *Norma Lebensmittelfilialbetrieb GmbH & Co KG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR I-1915, [2004] All ER (D) 05 (Jul), CFI; Case T-320/03 *Citicorp v Office for Harmonisation in the Internal Market* supra; but cf Case 64/02P *Office for Harmonisation in the Internal Market v Erpo Möbelwerk GbmH* supra; and see also *Look-O-Look International BV's Application for Protection* (O/010/06), Appointed Person.

A term borrowed from the language of another member state, in which it is descriptive of the goods or services in question or otherwise devoid of distinctive character, is not precluded from registration by the Trade Marks Act 1994 s 3(1)(b) unless the relevant persons in the United Kingdom are capable of identifying the meaning of the term: Case C-421/04 *Matrazen Concorde AG v Hukla Germany SA* [2006] IP & T 483, [2006] ETMR 48, ECJ.

A mark may be devoid of distinctive character even if it is not exclusively descriptive, in particular because it includes graphical elements as well as descriptive words: see Case C-37/03 *BioID AG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2005] ECR I-7975, ECJ; *Cycling IS ... Trade Mark Applications* [2002] RPC 729, Appointed Person; *Hormel Foods Corpn v Antilles Landscape Investments NV* [2005] EWHC 13 (Ch), [2005] RPC 657, [2005] IP & T 822.

In the case of device marks, even simple devices with descriptive connotations may have inherent distinctive character: *Koninklijke Philips NV v Remington Consumer Products Ltd* [2006] EWCA Civ 16, [2007] IP & T 206, [2006] FSR 537.

4 For these purposes, 'trade' includes any business or profession: Trade Marks Act 1994 s 103(1).

5 Ibid s 3(1)(c) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) art 3(1)(c)). This provision serves a public interest, which is to ensure that descriptive terms may be freely used by all and cannot be reserved to one undertaking by being registered as trade marks: Joined Cases C-108/97 and C-109/97 *Windsurfing Chiemsee Produktions- und Vertriebs GmbH v Boots- und Segelzubehör Walter Huber* [2000] Ch 523, [1999] ECR I-2779, [1999] ETMR 585, ECJ; Joined Cases C-53/01 and C-55/01 *Re Linde AG* [2003] ECR I-3161, sub nom *Linde AG v Deutsches Patent- und Markenamt* [2003] RPC 803, ECJ; Case C-104/01 *Libertel Groep BV v Benelux-Merkenbureau* [2004] Ch 83, [2003] ECR I-3793, ECJ; Case C-191/01P *Office for Harmonisation in the Internal Market (Trade Marks and Designs) v Wm Wrigley Jr Co* [2003] ECR I-12447, sub nom *Wm Wrigley Jr Co v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] All ER (EC) 1040, ECJ; Case C-326/01P *Telefon & Buch VerlagsgmbH v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR I-1371, ECJ; Case C-150/02P *Streamserve Inc v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR I-1461, ECJ; Case C-363/99 *Koninklijke KPN Nederland NV v Benelux-Merkenbureau* [2006] Ch 1, [2004] ECR I-1619, ECJ; Case C-265/00 *Campina Melkunie BV v Benelux-Merkenbureau* [2004] ECR I-1699, [2004] IP & T 959, ECJ.

A mark must be refused registration under this provision if at least one of its possible meanings designates a characteristic of the goods or services concerned; it is not necessary that the mark actually be in use at the time of the application for registration in a way that is descriptive of goods or services such as those in relation to which the application is filed, or of characteristics of those goods or services; it is sufficient that it could be used for such purposes: Case C-191/01P *Office for Harmonisation in the Internal Market v Wm Wrigley Jr Co* supra; Case C-363/99 *Koninklijke KPN Nederland NV v Benelux-Merkenbureau* supra. It is not necessary for this provision to apply that the mark should be the only way of designating the characteristics of the goods or services in question; it is irrelevant whether there are other, more usual signs or indications for designating those characteristics: Case C-363/99 *Koninklijke KPN Nederland NV v Benelux-Merkenbureau* supra; Case C-265/00 *Campina Melkunie BV v Benelux-Merkenbureau* supra. It is also irrelevant whether the characteristics of the goods or services in question are commercially essential or merely ancillary: Case C-363/99 *Koninklijke KPN Nederland NV v Benelux-Merkenbureau* supra.

It is sufficient for this provision to apply that the mark has a descriptive meaning to specialists whether or not that meaning is known to the general public: Case T-367/02 *Wieland-Werke AG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR II-47, [2005] All ER (D) 29 (Jan), CFI.

As a general rule, a mere combination of elements, each of which is descriptive of characteristics of the goods or services, without introducing any unusual variations, in particular as to syntax or meaning, will not result in anything other than a mark which designates characteristics of the goods or services; but such a combination may not be descriptive if it creates an overall impression which is sufficiently far removed from that produced by the elements themselves: Case C-363/99 *Koninklijke KPN Nederland NV v Benelux-Merkenbureau* supra; Case C-265/00 *Campina Melkunie BV v Benelux-Merkenbureau* supra (BIOMILD); and see also Case C-104/00P *DKV Deutsche Krankenversicherung AG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2002] ECR I-7561, [2002] All ER (D) 100 (Sep), ECJ (COMPANYLINE); Case C-326/01P *Telefon & Buch VerlagsgmbH v Office for Harmonisation in the Internal Market* supra (UNIVERSALTELEFONBUCH); *Streamserve Inc v Office for Harmonisation in the Internal Market* supra (STREAMSERVE); Case C-273/05P *Office of Harmonisation in the Internal Market (Trade Marks and Designs) v Celltech R & D Ltd* [2007] ETMR 52, [2007] All ER (D) 135 (Apr), ECJ (CELLTECH).

If the mark sought to be registered consists exclusively of a descriptive word, registration is precluded by the Trade Marks Act 1994 s 3(1)(c) even though the word is sought to be registered in a stylised script; it is otherwise if the mark includes graphical elements in addition to the word: Case T-32/00 *Messe München GmbH v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2000] ECR II-3829, [2001] IP & T 298, CFI; *Hormel Foods Corpn v Antilles Landscape Investments NV* [2005] EWHC 13 (Ch), [2005] RPC 657, [2005] IP & T 822; cf *O2 Holdings Ltd's Trade Mark Applications* (O/127/07), Appointed Person.

A term borrowed from the language of another member state, in which it is descriptive of the goods or services in question, is not precluded from registration by the Trade Marks Act 1994 s 3(1)(c) unless the relevant persons in the United Kingdom are capable of identifying the meaning of the term: Case C-421/04 *Matratzen Concord AG v Hukla Germany SA* [2006] IP & T 483, [2006] ETMR 48, ECJ.

In the case of geographical names, this provision is not confined to prohibiting the registration of geographical names as trade marks where they are already associated with the goods or services concerned in the mind of the relevant class of persons; but it does not preclude the registration of geographical names where the relevant class of persons would be unlikely to believe that such goods or services originated there: Joined Cases C-108/97 and C-109/97 *Windsurfing Chiemsee Produktions- und Vertriebs GmbH v Boots- und Segelzubehör Walter Huber* supra. Compare Case T-295/01 *Nordmilch eG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2003] ECR II-4365, [2003] All ER (D) 244 (Oct), CFI (OLDENBURGER, Oldenburg being the name of two German towns,

unregistrable for dairy products) with Case T-379/03 *Peek & Cloppenburg KG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] IP & T 167, [2006] ETMR 33, CFI (CLOPPENBURG, the name of a small German town, registrable for retail services). See also Case T-316/03 *Münchener Rückversicherungs-Gesellshaft AG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] ETMR 6, [2005] All ER (D) 09 (Jun), CFI (German equivalent of MUNICHFINANCIALSERVICES unregistrable for financial services); Decisions 621C/00207886/1 and 638C/00207866/2 *Think Promotions Ltd v All England Lawn Tennis Club (Wimbledon) Ltd* [2006] ETMR 36, OHIM Cancellation Division (WIMBLEDON registrable for variety of goods and services) (decision made under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 7(1)(c) (see para 211 post)); *Nordic Saunas Ltd's Trade Mark Application* [2002] ETMR 18, Appointed Person (NORDIC unregistrable for goods made of wood, but had acquired distinctiveness for saunas); *Tottenham Hotspur plc's Trade Mark Application* (O/024/03), Appointed Person (TOTTENHAM registrable for wide variety of goods and services).

A collective or certification mark which consists of signs or indications which may designate the geographical origin of goods or services may, however, be registered: see the Trade Marks Act 1994 s 49(2), Sch 1 para 3 (collective marks: see para 156 post) and s 50(2), Sch 2 para 3 (certification marks: see para 166 post).

In principle there is nothing to prevent the application of this provision to an application to register a three-dimensional trade mark consisting of the shape of the goods: Joined Cases C-53/01 and C-55/01 *Linde AG v Deutsches Patent- und Markenamt* supra. Similarly, in the case of three-dimensional trade marks consisting of packaging of goods which are packaged for reasons relating to the nature of the goods, the packaging may serve to designate characteristics of the goods within the meaning of this provision: Case C-218/01 *Henkel KGaA v Deutsches Patent- und Markenamt* [2004] ECR I-1725, ECJ.

In the case of names of performers and other celebrities, the name may designate a characteristic (i e the subject matter) of certain goods (particularly image carriers such as posters and figurines) and thus be unregistrable in respect of such goods by virtue of this provision: *Linkin Park LLC's Trade Mark Application* [2006] ETMR 74, Appointed Person. As to the meaning of 'other characteristics' see *O2 Holdings Ltd's Trade Mark Applications* supra.

6 Trade Marks Act 1994 s 3(1)(d) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) art 3(1)(d)). This provision is to be interpreted as only precluding registration of a mark where the signs or indications of which the mark is exclusively composed had become customary in the current language or in the bona fide and established practices of the trade to designate the goods or services in respect of which registration of the mark is sought at the relevant date; it is immaterial for this purpose whether or not the mark is descriptive and whether or not the mark consists of an advertising slogan, indication of quality or incitement to purchase the goods or services: Case C-517/99 *Merz & Krell GmbH & Co v Deutsches Patent- und Markenamt* [2001] ECR I-6959, [2002] All ER (EC) 441, ECJ. In considering whether the mark has become customary in the current language it appears that the relevant circles principally consist of consumers and end users: Case T-322/03 *Telefon & Buch Verlagsgesellschaft gmbH v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] All ER (D) 231 (Mar), CFI; cf Case C-371/02 *Björnekulla Fruktindustrier AB v Procordia Food AB* [2004] ECR I-5791, [2004] RPC 912, ECJ. Thus the essence of the objection is that the sign is generic either amongst the general public or amongst the trade: *Hormel Foods Corpn v Antilles Landscape Investments NV* [2005] EWHC 13 (Ch), [2005] RPC 77, [2005] IP & T 822; *Stash Ltd's Trade Mark Application* (O/281/04), Appointed Person; and see Case C-192/03 *Alcon Inc v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR I-8993, ECJ (mark BSS generic in the relevant trade). In assessing the applicability of this objection it is legitimate to take into account materials published outside the relevant territory if these shed light on the position inside that territory: Case C-192/03 *Alcon Inc v Office for Harmonisation in the Internal Market* supra.

7 For the meaning of 'the date of application for registration' see para 366 note 5 post.

8 For these purposes, references to 'use' (or any particular description of use) of a trade mark, or of a sign identical with, similar to, or likely to be mistaken for a trade mark, include use (or that description of use) otherwise than by means of a graphic representation: Trade Marks Act 1994 s 103(2).

9 Ibid s 3(1) proviso (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) art 3(3)). As to acquiring distinctive character as a result of use see para 61 post.

61. Distinctive character acquired as a result of use. A trade mark[1] must not be refused registration on the grounds that it is devoid of distinctive character or descriptive or generic[2] if, before the date of application for registration, it has in fact acquired a distinctive character as a result of the use[3] made of it[4]. Similarly, where a trade mark was registered in breach of one of these grounds[5], it must not be declared invalid if, in consequence of the use which has been made of it, it has after registration acquired

a distinctive character in relation to the goods or services for which it is registered[6]. It is not necessary to consider whether the mark has acquired a distinctive character, however, unless the applicant or proprietor has invoked the relevant provision[7].

In either case, what must be shown is that, through use[8], the trade mark has come to identify the goods or services in respect of which the trade mark is sought to be registered or is registered as originating from a particular undertaking and thus distinguishes the goods or services from those of other undertakings[9]. The competent authority must make an overall assessment of the relevant evidence[10]. Regard must be had to the inherent characteristics of the mark in question, such as whether it contains an element which is descriptive of the goods or services in question[11]; and the following may also be taken into account:

(1) the market share held by the mark;
(2) how intensive, geographically widespread and longstanding the use of the mark has been;
(3) the amount invested by the proprietor in promoting the mark;
(4) the proportion of the relevant class of persons who, because of the mark, identify the goods or services as emanating from the proprietor;
(5) evidence from trade and professional associations; and
(6) (where the competent authority has particular difficulty in assessing the distinctive character) an opinion poll[12].

If the relevant class of persons, or at least a significant proportion of them, identifies goods or services as originating from a particular undertaking because of the trade mark, it has acquired a distinctive character; however, the circumstances in which that requirement may be regarded as satisfied cannot be shown to exist by reference to general, abstract data such as predetermined percentages[13].

Where a trader has been the only supplier of particular goods to the market, extensive use of a sign which consists of the shape of the goods may be sufficient to give the sign a distinctive character in circumstances where, as a result of that use, a substantial proportion of the relevant class of persons associates that shape with the trader and no other undertaking or believes that goods of that shape come from that trader; however, it is for the competent authority to verify that such circumstances exist on the basis of specific and reliable data and that such identification is as a result of the use of the sign as a trade mark[14].

1 For the meaning of 'trade mark' see para 57 ante.

2 Ie registration is precluded by the Trade Marks Act 1994 s 3(1)(b), (c) or (d) (see para 60 ante).

3 For the meaning of 'use' see para 60 note 8 ante. In order for the mark to have acquired distinctiveness it must have been used as a trade mark: Case C-299/99 *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* [2003] Ch 159, [2002] ECR I-5475, ECJ; C-24/05P *August Storck KG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] IP & T 946, [2006] All ER (D) 275 (Jun), ECJ. Thus use of a mark as the name of goods (see eg *BACH and BACH FLOWER REMEDIES Trade Marks* [2000] RPC 513, sub nom *Bach Flower Remedies Ltd v Healing Herbs Ltd* [1999] IP & T 146, CA) or as the name of an ingredient of the goods (see eg *JERYL LYNN Trade Mark* [1999] FSR 491) will not result in the mark acquiring distinctive character. The effect of the requirement of use of the mark as a trade mark is unclear where the mark consists of the shape of the goods: see *Betafence Ltd v Registrar of Trade Marks* [2005] EWHC 1353 (Ch), [2005] All ER (D) 346 (Jun). See also note 13 infra.

4 Trade Marks Act 1994 s 3(1) proviso (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 3(3)); and see para 60 ante. This provision does not provide an independent right to have a trade mark registered, but is an exception to the relevant grounds of refusal: Case C-108/05 *Bovemij Verzekeringen NV v Benelux-Merkenbureau* [2007] ETMR 29, [2006] All ER (D) 46 (Sep), ECJ. It is irrelevant that the trade mark may have acquired distinctiveness through use after the application was filed but before it is examined: Case T-247/01 *eCopy Inc v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2002] ECR II-5301, (2002) Times, 31 September, CFI.

5 Ie registration should have been refused under the Trade Marks Act 1994 s 3(1)(b), (c) or (d) (see para 60 ante).

6 See ibid s 47(1) proviso (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) art 3(3)); and see para 118 post.

7 Case C-136/02P *Mag Instrument Inc v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR I-9165, [2004] All ER (D) 75 (Oct), ECJ.

8 Such use may be as part of or in conjunction with a registered trade mark: Case C-353/03 *Société des Produits Nestlé SA v Mars UK Ltd* [2005] ECR I-6135, [2006] All ER (EC) 348, ECJ; Case C-24/05P *August Storck KG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] IP & T 946, [2006] All ER (D) 275 (Jun), ECJ.

9 Joined Cases C-108/97 and 109/97 *Windsurfing Chiemsee Produktions und Vertriebs GmbH v Boots- und Segelzubehör Walter Huber* [2000] Ch 523, [1999] ECR I-2779, [1999] ETMR 585, ECJ; Case C-299/99 *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* [2003] Ch 159, [2002] ECR I-5475, ECJ. Registration of a trade mark can only be allowed on this basis if it is shown that the trade mark has acquired distinctive character through use throughout the territory of the member state and throughout the linguistic area in which there exists a ground for refusal: Case C-108/05 *Bovemij Verzekeringen NV v Benelux-Merkenbureau* [2007] ETMR 29, [2006] All ER (D) 46 (Sep), ECJ.

10 Joined Cases C-108/97 and 109/97 *Windsurfing Chiemsee Produktions und Vertriebs GmbH v Boots- und Segelzubehör Walter Huber* [2000] Ch 523, [1999] ECR I-2779, [1999] ETMR 585, ECJ; Case C-342/97 *Lloyd Schuhfabrik Meyer & Co GmbH v Klijsen Handel BV* [1999] ECR I-3819, [1999] All ER (EC) 587, [2000] FSR 77, ECJ; Case C-104/01 *Libertel Groep BV v Benelux-Merkenbureau* [2004] Ch 83, [2003] ECR I-3793, ECJ; Case C-136/02P *Mag Instrument Inc v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR I-9165, [2004] All ER (D) 75 (Oct), ECJ. In assessing whether a trade mark has acquired distinctive character all the circumstances in which the relevant public may see that mark must be borne in mind including not only when the decision to purchase is made but also before that point, for example in advertising, and when the product is consumed: C-24/05P *August Storck KG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] IP & T 946, [2006] All ER (D) 275 (Jun), ECJ.

11 Joined Cases C-108/97 and 109/97 *Windsurfing Chiemsee Produktions und Vertriebs GmbH v Boots- und Segelzubehör Walter Huber* [2000] Ch 523, [1999] ECR I-2779, [1999] ETMR 585, ECJ; Case C-342/97 *Lloyd Schuhfabrik Meyer & Co GmbH v Klijsen Handel BV* [1999] ECR I-3819, [1999] All ER (EC) 587, [2000] FSR 77, ECJ. It follows that not all trade marks are equally lacking in distinctive character; and some will require more use than others before they acquire such character.

12 Joined Cases C-108/97 and 109/97 *Windsurfing Chiemsee Produktions und Vertriebs GmbH v Boots- und Segelzubehör Walter Huber* [2000] Ch 523, [1999] ECR I-2779, [1999] ETMR 585, ECJ; Case C-342/97 *Lloyd Schuhfabrik Meyer & Co GmbH v Klijsen Handel BV* [1999] ECR I-3819, [1999] All ER (EC) 587, [2000] FSR 77, ECJ.

13 Joined Cases C-108/97 and 109/97 *Windsurfing Chiemsee Produktions und Vertriebs GmbH v Boots- und Segelzubehör Walter Huber* [2000] Ch 523, [1999] ECR I-2779, [1999] ETMR 585, ECJ; Case C-299/99 *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* [2003] Ch 159, [2002] ECR I-5475, ECJ.

14 Case C-299/99 *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* [2003] Ch 159, [2002] ECR I-5475, ECJ. It appears that the same principle applies to other types of marks: see Case C-24/05P *August Storck KG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] IP & T 946, [2006] All ER (D) 275 (Jun), ECJ. A two-dimensional depiction of a three-dimensional product on the surface of packaging of that product does not necessarily amount to use as a trade mark for this purpose: Case C-24/05P *August Storck KG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* supra.

62. Shape. A sign must not be registered[1] as a trade mark[2] if it consists exclusively of:

(1) the shape which results from the nature of the goods themselves[3];
(2) the shape of goods which is necessary to obtain a technical result[4]; or
(3) the shape which gives substantial value to the goods[5].

1 For the meaning of 'registered' see para 19 note 2 ante. In the case of an international trade mark, the mark 'becomes protected': see paras 13, 55 note 8 ante.

2 Trade Marks Act 1994 s 3(2) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 3(1)(e)). For the meaning of 'trade mark' see para 57 ante.

These provisions serve a public interest, which is to ensure that shapes having the specified characteristics may be freely used by all and cannot be reserved to one undertaking by being registered as

trade marks: Case C-299/99 *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* [2003] Ch 159, [2002] ECR I-5475, ECJ; Case C-104/01 *Libertel Groep BV v Benelux-Merkenbureau* [2004] Ch 83, [2003] ECR I-3793, ECJ.

These provisions apply both to marks consisting strictly of the shape of the goods and to marks consisting of graphical representations of the shape of the goods: Case C-299/99 *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* supra.

A sign which is refused registration by virtue of these provisions cannot constitute a trade mark and cannot acquire a distinctive character by the use made of it: Case C-299/99 *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* supra; Joined Cases C-53/01 and C-55/01 *Re Linde AG* [2003] ECR I-3161, sub nom *Linde AG v Deutsches Patent- und Markenamt* [2003] RPC 803, ECJ; Case C-218/01 *Henkel KGaA v Deutsches Patent- und Markenamt* [2004] ECR I-1725, ECJ. It follows that such an objection cannot be overcome by reliance upon opinion polls and similar evidence: Case R 856/2004-G *Lego Juris A/S v Mega Brands Inc* [2007] ETMR 11, OHIM Enlarged Board of Appeal (decision made under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 7(1)(e) (see para 212 post)).

3 Trade Marks Act 1994 s 3(2)(a). 'Goods' refers to the goods in respect of which the trade mark is sought to be registered, and 'the nature of the goods' refers to their innate characteristics, for example the shape of a banana for bananas: *Philips Electronics BV v Remington Consumer Products Ltd* [1999] RPC 809 at 820, [1999] All ER (D) 465, CA, per Aldous LJ; referred to ECJ sub nom C-299/99 *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* [2003] Ch 159, [2002] ECR I-5475, ECJ. Thus the shape of a three-headed electric razor is not precluded from registration by this provision (*Philips Electronics BV v Remington Consumer Products Ltd* supra), nor is the shape of an indented bar of soap (Case T-122/99 *Procter & Gamble Co v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2000] ECR II-265, [2000] 2 CMLR 303, CFI).

4 Trade Marks Act 1994 s 3(2)(b). This provision must be interpreted to mean that a sign consisting exclusively of the shape of a product is unregistrable if it is established that the essential features of that shape are attributable only to the technical result; but this ground for refusal cannot be overcome by establishing that there are other shapes which allow the same technical result to be obtained: Case C-299/99 *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* [2003] Ch 159, [2002] ECR I-5475, ECJ; Case C-321/03 *Dyson Ltd v Registrar of Trade Marks* [2007] ETMR 34 at [76]–[102], [2007] All ER (D) 201 (Jan) at [76]–[102] per Léger AG. When assessing whether registration is precluded by this provision, the first step is to identify the essential characteristics or features of the shape of the goods judged by the impact on the eye of the average consumer; once they have been determined the second step is to determine whether the essential characteristics or features consisting solely of the shape of the goods are attributable only to the technical result: *Koninklijke Philips NV v Remington Consumer Products Ltd* [2006] EWCA Civ 16, [2007] IP & T 206, [2006] FSR 537. The fact that the shape was or is protected by a patent is not by itself a bar to the shape being registered as a trade mark, but it is strong evidence that the shape is functional: Case R 856/2004-G *Lego Juris A/S v Mega Brands Inc* [2007] ETMR 11, OHIM Enlarged Board of Appeal (decision made under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 7(1)(e)(ii) (see para 212 post)). If the shape presented for registration is sufficiently stylised that the shape as a whole does not consist essentially of features attributable only to the technical result of using that shape, it is not precluded from registration by this provision: *Ekornes SA's Request for Protection* (O/017/06), Appointed Person.

5 Trade Marks Act 1994 s 3(2)(c). This provision excludes from registration shapes which add substantial value to the goods over other shapes, in the sense that they appeal to the eye: see *Philips Electronics BV v Remington Consumer Products Ltd* [1999] RPC 809 at 822, [1999] All ER (D) 465, CA, per Aldous LJ; referred to ECJ sub nom C-299/99 *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* [2003] Ch 159, [2002] ECR I-5475, ECJ. See also *Dualit Ltd's (Toaster Shapes) Trade Mark Applications* [1999] RPC 304, Trade Marks Registry; considered but not ruled upon on appeal [1999] RPC 890 at 903, [1999] All ER (D) 729 per Lloyd J.

63. Public policy; immoral trade marks. A trade mark[1] must not be registered[2] if it is contrary to public policy[3] or to accepted principles of morality[4].

1 For the meaning of 'trade mark' see para 57 ante.

2 For the meaning of 'registered' see para 19 note 2 ante. In the case of an international trade mark, the mark 'becomes protected': see paras 13, 55 note 8 ante.

3 'Public policy' is a translation of the French expression 'ordre public': *Philips Electronics BV v Remington Consumer Products Ltd* [1998] RPC 283 at 310 per Jacob J (affd on other grounds [1999] RPC 809, [1999] All ER (D) 465, CA; referred to ECJ sub nom C-299/99 *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* [2003] Ch 159, [2002] ECR I-5475, ECJ); *FCUK Trade Mark* [2007]

RPC 1, [2007] ETMR 8, Appointed Person. The concept of 'ordre public' covers the protection of public security, the physical integrity of individuals as part of society and the protection of the environment: Case T-356/93 *PLANT GENETIC SYSTEMS/Glutamine synthetase inhibitors* [1995] EPOR 357, EPO Board of Appeal.

4 Trade Marks Act 1994 s 3(3)(a) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 3(1)(f)). The applicability of this provision depends on the intrinsic qualities of the trade mark itself and not on circumstances relating to the conduct of the applicant: Case T-224/01 *Durferrit GmbH v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2003] ECR II-1589, [2003] All ER (D) 136 (Apr), CFI; Case T-140/02 *Sportwetten GmbH Gera v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] ETMR 15, [2005] All ER (D) 72 (Sep), CFI (in so far as they are relevant both cases were decided under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 7(1)(f) (see para 213 post)). This provision should be interpreted and applied consistently with the Convention for the Protection of Human Rights and Fundamental Freedoms (Rome, 4 November 1950; TS 71 (1953); Cmd 8969) art 10 (i e the right to freedom of expression, which is now incorporated into United Kingdom law in the Human Rights Act 1998 s 1(3), Sch 1 art 10) (see CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) paras 158–159); it follows that registration should only be refused where this is justified by a pressing social need and is proportionate to the legitimate aim pursued: *Basic Trademark SA's Trade Mark Application* [2005] RPC 611, Appointed Person; Case R 495/2005-G *Kenneth's Application* [2007] ETMR 7, OHIM Enlarged Board of Appeal.

Marks which appear to glorify terrorism or offend the victims of terrorism will be refused under the first limb of this provision: Cases R 176/2004–2 and R 177/2004–2 *Falcon Sporting Goods AG's Application* (29 September 2004, unreported), OHIM Board of Appeal (BIN LADIN refused); Case R 495/2005-G *Kenneth's Application* supra.

For the second limb of this provision to apply, use of the mark must contravene a generally accepted moral principle: *Ghazilian's Trade Mark Application* [2002] RPC 628, [2002] ETMR 631, Appointed Person; *FCUK Trade Mark* [2007] RPC 1, [2007] ETMR 8, Appointed Person. Mere offence to a section of the public, in the sense that that section of the public would consider the mark distasteful, is not enough for this provision to apply; but it does apply if use of the mark would justifiably cause outrage, or would be the subject of justifiable censure, amongst an identifiable section of the public as being likely to undermine significantly current religious, family or social values: *Ghazilian's Trade Mark Application* supra; *Scranage's Trade Mark Application* (O/182/05), Appointed Person; *FCUK Trade Mark* supra. In considering whether the mark is offensive the nature of the goods is relevant since it affects the context in which the mark is likely to be encountered: Case R 495/2005-G *Kenneth's Application* supra (SCREW YOU acceptable for condoms and goods sold in sex shops but not for goods sold more widely). The slang meaning of a word may lead to an objection even if its normal meaning does not: Case R 111/2002–4 *Dick Lexic's Application* [2005] ETMR 99, OHIM Board of Appeal (decision made under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1), i e art 7(1)(f) (see para 213 post)). On the other hand a word which happens to be offensive in another Community language will not be objectionable if it is evident that this is inadvertent: Case R 558/2006–2 *Reva Electric Car Co (PVT) Ltd's Application* (18 July 2006, unreported), OHIM Board of Appeal (REVA offensive in Finnish but accompanying words THE ELECTRICITY CAR made it clear that this was accidental) (decision made under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1), i e art 7(1)(f) (see para 213 post)).

64. Deceptive trade marks. A trade mark[1] must not be registered[2] if it is of such a nature as to deceive the public, for instance as to the nature, quality or geographical origin of the goods or service[3].

1 For the meaning of 'trade mark' see para 57 ante.

2 For the meaning of 'registered' see para 19 note 2 ante. In the case of an international trade mark, the mark 'becomes protected': see paras 13, 55 note 8 ante.

3 Trade Marks Act 1994 s 3(3)(b) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 3(1)(g)). This provision is concerned with deceptiveness which is inherent in the trade mark itself, as opposed to deception caused by the similarity of the trade mark to another trade mark (which may give rise to a relative ground of refusal: see para 70 et seq post): see e g Case R-468/1999 *International Star Registry of Illinois Ltd's Application* (OJ OHIM 6/02, p 1185), OHIM Board of Appeal (INTERNATIONAL STAR REGISTRY likely to mislead consumers into believing that the organisation which used it was an authoritative body empowered to give names to stars) (decision made under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 7(1)(g) (see

para 214 post)). In some cases a mark may be may be excluded from registration partly under this provision and partly for lack of distinctiveness: see eg Case R 246/1999–1 *Enotria Holdings Ltd's Application* (27 March 2000, unreported), OHIM Board of Appeal (ARCADIA descriptive for wine produced in Greece, deceptive for wine produced in Italy) (decision made under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1), ie art 7(1)(g) (see para 214 post)); Decision 75C/000835728/1 *Beiersdorf AG's Trade Mark Application, Application for Cancellation by L'Oréal SA* [2001] ETMR 19, OHIM Cancellation Division (POUDRE LIBRE NATURELLE descriptive for cosmetics which were loose powders, deceptive for those which were not) (decision made under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1), ie art 7(1)(g) (see para 214 post)).

For registration to be refused there must be actual deceit or a serious risk that the consumer will be deceived: Case C-87/97 *Consorzio per la Tutela del Formaggio Gorgonzola v Käserei Champignon Hofmeister GmbH & Co KG and Eduard Bracharz GmbH* [1999] ECR I-1301, [1999] 1 CMLR 1203, ECJ; Case C-259/04 *Emanuel v Continental Shelf 128 Ltd* [2006] IP & T 887, sub nom *Elizabeth Florence Emanuel v Continental Shelf 128 Ltd* [2006] ETMR 56, ECJ. A trade mark corresponding to the name of the designer and first manufacturer of the goods bearing that mark may not, by reason of that feature alone, be refused registration on this ground even where the goodwill associated with that trade mark has been assigned, together with the business making the goods to which the mark relates, to another person: Case C-259/04 *Emanuel v Continental Shelf 128 Ltd* supra.

The fact that a trade description is a trade mark, or part of a trade mark, does not prevent it from being a false trade description when applied to any goods, except when certain conditions are satisfied: see the Trade Descriptions Act 1968 s 34 (as amended); and SALE OF GOODS AND SUPPLY OF SERVICES vol 41 (2005 Reissue) para 488.

65. Illegal trade marks. A trade mark[1] must not be registered[2] if or to the extent that its use[3] is prohibited in the United Kingdom[4] by any enactment or rule of law or by any provision of Community law[5].

1 For the meaning of 'trade mark' see para 57 ante.

2 For the meaning of 'registered' see para 19 note 2 ante. In the case of an international trade mark, the mark 'becomes protected': see paras 13, 55 note 8 ante.

3 For the meaning of 'use' see para 60 note 8 ante.

4 For the meaning of 'United Kingdom' see para 3 note 2 ante.

5 Trade Marks Act 1994 s 3(4) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 3(2)(a), which makes it clear that the provision is concerned with laws other than trade mark laws). A trade mark application must be refused under this provision if use of the mark would contravene EC Council Regulation 1493/99 (OJ L179, 14.7.99, p 1) on the common organisation of the market in wine (see para 302 note 2 post): *MEZZACORONA Trade Mark* [2003] EWCA Civ 1861, [2004] RPC 537, sub nom *Miguel Torres SA v Cantine Mezzacorona SCARL* [2003] All ER (D) 407 (Dec) (held on the facts that there was no contravention).

66. Specially protected emblems. A trade mark[1] which consists of or contains:

(1) the royal arms[2], or any of the principal armorial bearings of the royal arms, or any insignia or device so nearly resembling the royal arms or any such armorial bearing as to be likely to be mistaken for them or it[3];

(2) a representation of the royal crown or any of the royal flags[4];

(3) a representation of Her Majesty or any member of the royal family, or any colourable imitation thereof[5]; or

(4) words, letters or devices likely to lead persons to think that the applicant either has or recently has had royal patronage or authorisation[6],

must not be registered[7] unless it appears to the registrar[8] that consent has been given by or on behalf of Her Majesty or, as the case may be, the relevant member of the royal family[9].

A trade mark which consists of or contains a representation of:

(a) the national flag of the United Kingdom (commonly known as the Union Jack)[10]; or

(b) the flag of England, Wales, Scotland, Northern Ireland or the Isle of Man[11],

must not be registered if it appears to the registrar that the use of the trade mark[12] would be misleading or grossly offensive[13].

A trade mark must not be registered in the case of national emblems etc of Convention countries[14] or emblems etc[15] of certain international organisations[16].

Where a representation of:

(i) any arms to which a person is entitled by virtue of a grant of arms by the Crown[17]; or

(ii) any insignia so nearly resembling such arms as to be likely to be mistaken for them[18],

appears on a mark, the registrar must refuse to accept an application for the registration of the mark unless he is satisfied that the consent of the person entitled to the arms has been obtained[19]. Where such a mark is registered, nothing in the Trade Marks Act 1994 is to be construed as authorising its use in any way contrary to the laws of arms[20].

A trade mark which consists of or contains a controlled representation within the meaning of the Olympic Symbol etc (Protection) Act 1995[21] must not be registered unless it appears to the registrar that the application is made by the proprietor of the Olympics association right[22], or that consent has been given by or on behalf of the proprietor[23].

1 For the meaning of 'trade mark' see para 57 ante.

2 As to the royal arms see CROWN AND ROYAL FAMILY vol 12(1) (Reissue) paras 43–44; and as to the offence of unauthorised use of royal arms see para 488 post.

3 Trade Marks Act 1994 s 4(1)(a).

4 Ibid s 4(1)(b).

5 Ibid s 4(1)(c).

6 Ibid s 4(1)(d). In *QUEEN DIANA Trade Mark* [1991] RPC 395, Board of Trade, it was held that the mark was not caught by the corresponding rule made under the Trade Marks Act 1938 because there was no Queen Diana. The fact that a mark fell within the spirit of the rule was not sufficient to confer discretion to refuse to register.

7 For the meaning of 'registered' see para 19 note 2 ante. In the case of an international application, the mark 'becomes protected': see paras 13, 55 note 8 ante.

8 As to the registrar see para 17 ante.

9 Trade Marks Act 1994 ss 3(5), 4(1). Sections 3(5), 4 derive from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 3(2)(c).

10 Trade Marks Act 1994 s 4(2)(a).

11 Ibid s 4(2)(b).

12 For the meaning of 'use' see para 60 note 8 ante.

13 Trade Marks Act 1994 ss 3(5), 4(2). See also note 9 supra. Provision may be made by rules identifying the flags to which s 4(2)(b) (see head (b) in the text) applies: ss 3(5), 4(2). At the date at which this title states the law no such rules had been made.

As to appeals against any decision of the registrar see ss 76, 77 (both as amended); and para 405 et seq post.

14 Ie the cases specified in ibid s 57 (as amended): see para 67 post. For the meaning of 'Convention country' see para 6 note 2 ante.

15 Ie the cases specified in ibid s 58 (as amended): see para 68 post.

16 Ibid ss 3(5), 4(3). See also note 9 supra.

17 Ibid s 4(4)(a).

18 Ibid s 4(4)(b).

19 Ibid ss 3(5), 4(4); Trade Marks Rules 2000, SI 2000/136, r 9. See also note 9 supra.

20 Trade Marks Act 1994 ss 3(5), 4(4). See also note 9 supra. As to the law of arms see PEERAGES AND DIGNITIES vol 35 (Reissue) para 970 et seq.

21 See para 493 post.

22 Ie the person for the time being appointed under the Olympic Symbol etc (Protection) Act 1995 s 1(2): see para 492 post. As to the Olympics association right see para 492 et seq post.

23 Trade Marks Act 1994 ss 3(5), 4(5) (s 4(5) added by the Olympic Symbol etc (Protection) Act 1995 s 13(2)). This provision has effect in relation to applications for registration made on or after 20 September 1995 (ie the date of commencement of the Olympic Symbol etc (Protection) Act 1995: s 13(3); Olympic Symbol etc (Protection) Act 1995 (Commencement) Order 1995, SI 1995/2472). See

Olympic Oils Ltd's Trade Mark Application (O/081/00), Trade Marks Registry, where an application to register the word OLYMPIC alone and in combination with an Olympic torch device for oils and fats was refused on this ground.

67. National emblems etc of Convention countries. A trade mark[1] which:

(1) consists of or contains the flag of a Convention country[2] must not be registered[3] without the authorisation of the competent authorities of that country, unless it appears to the registrar[4] that use of the flag in the manner proposed is permitted without such authorisation[5];

(2) consists of or contains the armorial bearings or any other state emblem of a Convention country which is protected under the Paris Convention or the WTO Agreement[6] must not be registered without the authorisation of the competent authorities of that country[7];

(3) consists of or contains an official sign or hallmark adopted by a Convention country and indicating control and warranty must not, where the sign or hallmark is protected under the Paris Convention or the WTO Agreement, be registered in relation to goods or services of the same, or a similar kind, as those in relation to which it indicates control and warranty, without the authorisation of the competent authorities of the country concerned[8].

The above provisions as to national flags and other state emblems, and official signs or hallmarks, apply equally to anything which from a heraldic point of view imitates any such flag or other emblem, or sign or hallmark[9].

Nothing in the above provisions prevents the registration of a trade mark on the application of a national of a country who is authorised to make use of a state emblem, or official or hallmark, of that country, notwithstanding that it is similar to that of another country[10].

For the above purposes, state emblems of a Convention country, other than the national flag, and official signs or hallmarks, are regarded as protected under the Paris Convention only if, or to the extent that[11]:

(a) the country in question has notified[12] the United Kingdom[13] that it desires to protect that emblem, sign or hallmark[14];

(b) the notification remains in force[15]; and

(c) the United Kingdom has not objected to it[16] or any such objection has been withdrawn[17].

Such notification has effect only in relation to applications for registration made more than two months after the receipt of the notification[18]. The registrar must keep and make available for public inspection by any person, at all reasonable hours and free of charge, a list of the state emblems and official signs or hallmarks which are for the time being so protected[19].

1 For the meaning of 'trade mark' see para 57 ante.

2 For the meaning of 'Convention country' see para 6 note 2 ante.

3 For the meaning of 'registered' see para 19 note 2 ante. In the case of an international trade mark, the mark 'becomes protected': see paras 13, 55 note 8 ante.

4 As to the registrar see para 17 ante.

5 Trade Marks Act 1994 s 57(1). Sections 57, 59 derive from the Paris Convention art 6(ter) and EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 3(1)(h). As to the competent authorities' power to obtain an injunction restraining the use of the mark in the United Kingdom without their authorisation see the Trade Marks Act 1994 s 57(6); and para 490 post. As to the Paris Convention see para 6 ante.

6 For the meaning of 'the WTO Agreement' see para 7 note 1 ante.

7 Trade Marks Act 1994 s 57(2) (s 57(2), (3) amended by the Patents and Trade Marks (World Trade Organisation) Regulations 1999, SI 1999/1899, reg 13(5)). See also note 5 supra.

8 Trade Marks Act 1994 s 57(3) (as amended: see note 7 supra). See also note 5 supra.

9 Ibid s 57(4). See also note 5 supra. When making a comparison 'from a heraldic point of view' regard must be had to the heraldic description and not to any more detailed description: Case T-127/02 *Concept-Anlagen u Geräte nach 'GMP' für Produktion u Labour GmbH v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR II-1113, [2004] All ER (D) 175 (Apr), CFI (mark resembling emblem of Council of Europe with addition of letters ECA refused registration) (decided under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 7(1)(h) (see para 216 post)).
10 Trade Marks Act 1994 s 57(5). See also note 5 supra.
11 Ibid s 59(1). See also note 5 supra.
12 Ie in accordance with the Paris Convention art 6(ter)(3) as applied by the WTO Agreement.
13 For the meaning of 'United Kingdom' see para 3 note 2 ante.
14 Trade Marks Act 1994 s 59(1)(a).
15 Ibid s 59(1)(b).
16 Ie in accordance with the Paris Convention art 6(ter)(4) as applied by the WTO Agreement: Trade Marks Act 1994 s 59(5) (added by the Patents and Trade Marks (World Trade Organisation) Regulations 1999, SI 1999/1899, reg 13(7)).
17 Trade Marks Act 1994 s 59(1)(c).
18 Ibid s 59(3). See also note 5 supra.
19 Ibid s 59(4). See also note 5 supra.

68. Emblems etc of certain international organisations. The following provisions apply to:

(1) the armorial bearings, flags or other emblems; and
(2) the abbreviations and names,

of international intergovernmental organisations of which one or more Convention countries[1] are members[2].

A trade mark[3] which consists of or contains any such emblem, abbreviation or name which is protected under the Paris Convention or the WTO Agreement[4] must not be registered[5] without the authorisation of the international organisation concerned, unless it appears to the registrar[6] that the use of the emblem, abbreviation or name in the manner proposed: (a) is not such as to suggest to the public that a connection exists between the organisation and the trade mark; or (b) is not likely to mislead the public as to the existence of a connection between the user and the organisation[7].

The above provisions as to emblems of an international organisation apply equally to anything which from a heraldic point of view imitates any such emblem[8].

Nothing in the above provisions affects the rights of a person whose bona fide use[9] of the trade mark in question began before 4 January 1962, when the relevant provisions of the Paris Convention entered into force in relation to the United Kingdom[10].

For the above purposes, the emblems, abbreviations and names of an international organisation are regarded as protected under the Paris Convention only if, or to the extent that[11]:

(i) the organisation in question has notified[12] the United Kingdom that it desires to protect that emblem, abbreviation or name[13];
(ii) the notification remains in force[14]; and
(iii) the United Kingdom has not objected to it[15] or any such objection has been withdrawn[16].

Such notification has effect only in relation to applications for registration made more than two months after the receipt of the notification[17]. The registrar must keep and make available for public inspection by any person, at all reasonable hours and free of charge, a list of the emblems, abbreviations and names of international organisations which are for the time being so protected[18].

1 For the meaning of 'Convention country' see para 6 note 2 ante.
2 Trade Marks Act 1994 s 58(1). Sections 58, 59 derive from the Paris Convention art 6(ter) and EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 3(1)(h). As to an international organisation's power to obtain an injunction restraining

the use of the mark in the United Kingdom without its authorisation see the Trade Marks Act 1994 s 58(4); and para 491 post. As to the Paris Convention see para 6 ante.

3 For the meaning of 'trade mark' see para 57 ante.

4 For the meaning of 'the WTO Agreement' see para 7 note 1 ante.

5 For the meaning of 'registered' see para 19 note 2 ante. In the case of an international trade mark, the mark 'becomes protected': see paras 13, 55 note 8 ante.

6 As to the registrar see para 17 ante.

7 Trade Marks Act 1994 s 58(2) (amended by the Patents and Trade Marks (World Trade Organisation) Regulations 1999, SI 1999/1899, reg 13(6)). See also note 2 supra.

8 Trade Marks Act 1994 s 58(3). See also note 2 supra. As to the meaning of 'from a heraldic point of view' see para 67 note 10 ante.

9 For the meaning of 'use' see para 60 note 8 ante.

10 Trade Marks Act 1994 s 58(5). See also note 2 supra. For the meaning of 'United Kingdom' see para 3 note 2 ante.

11 Ibid s 59(2). See also note 2 supra.

12 Ie in accordance with the Paris Convention art 6(ter)(3) as applied by the WTO Agreement: Trade Marks Act 1994 s 59(5) (added by the Patents and Trade Marks (World Trade Organisation) Regulations 1999, SI 1999/1899, reg 13(7)).

13 Trade Marks Act 1994 s 59(2)(a).

14 Ibid s 59(2)(b).

15 Ie in accordance with the Paris Convention art 6(ter)(4) as applied by the WTO Agreement (see note 12 supra).

16 Trade Marks Act 1994 s 59(2)(c).

17 Ibid s 59(3). See also note 2 supra.

18 Ibid s 59(4). See also note 2 supra.

69. Bad faith. A trade mark[1] must not be registered[2] if or to the extent that the application is made in bad faith[3].

1 For the meaning of 'trade mark' see para 57 ante.

2 For the meaning of 'registered' see para 19 note 2 ante. In the case of an international application, the mark 'becomes protected': see paras 13, 55 note 8 ante.

3 Trade Marks Act 1994 s 3(6) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 3(2)(d)). Bad faith includes dishonesty and dealings which fall short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular area being examined: *Gromax Plasticulture Ltd v Dow & Low Nonwovens Ltd* [1999] RPC 367; Decision 466C/000659037/1 *DAAWAT Trade Mark* (28 June 2004, unreported), OHIM Cancellation Division (decision made under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 51(1)(b) (see para 243 post)). Many of the reported cases involve applications to register a third party's trade mark, while others concern the intention of the applicant to use the trade mark either at all or for all the goods or services applied for; but it is clear that this provision is not limited to such cases. Thus it is bad faith to register a trade mark dishonestly in order to block use of a 'trend term' by competitors: Decision 85C/000703579/1 *Gillette Co's Trade Mark* [2002] ETMR 65, OHIM Cancellation Division (decision made under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1), i e art 51(1)(b) (see para 243 post)).

Bad faith is to be judged according to the combined test of dishonesty for accessory liability for breach of trust: *Harrison v Teton Valley Trading Co Ltd* [2004] EWCA Civ 1028, [2004] 1 WLR 2577, (2004) Times, 19 August. The combined test was re-stated in *Barlow Clowes International Ltd v Eurotrust International Ltd* [2005] UKPC 37, [2006] 1 All ER 333, [2006] 1 WLR 1476. Accordingly, in applying the combined test, it is necessary to show that the applicant had knowledge of the relevant circumstances, but it is not necessary to show that the applicant knew that his behaviour fell below generally accepted standards: *AJIT WEEKLY Trade Mark* [2006] RPC 633, Appointed Person.

An applicant who does not have a bona fide intention to use the trade mark cannot honestly sign the declaration with regard to use required by the Trade Marks Act 1994 s 32(3) (see para 363 post); accordingly, 'bad faith' covers the case where a mark is applied for by an applicant who at the time had no intention of using the mark: *DEMON ALE Trade Mark* [2000] RPC 345, Appointed Person; *Ferrero SpA's Trade Marks* [2004] RPC 583, Appointed Person; c f *LABORATOIRE DE LA MER Trade Marks* [2002] FSR 790; but see *Decon Laboratories Ltd v Fred Baker Scientific Ltd* [2001] RPC 293, (2001) Times, 28 February; *South Cone Inc v Bessant (t/a Reef)* [2002] EWCA Civ 763, sub nom *REEF Trade Mark* [2003] RPC 101. To constitute bad faith, however, it is not enough for the applicant to have made a statement of intention to use the mark applied for that turns out to have been incorrect; it must be

shown that the applicant knowingly made a false statement (or possibly made a statement with regardless disregard for whether it was true or false): *Robert McBride Ltd's Trade Mark Application* [2005] ETMR 85, Appointed Person.

By contrast, a lack of any intention to use a Community trade mark applied for does not amount to bad faith under the equivalent provisions in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 51(1)(b) (see para 243 post): see Decision 34C/000053447/1 *Trillium Digital Systems Inc's Trade Mark* [2000] ETMR 1054, OHIM Cancellation Division; Decision 468C/00512632/1 *POTTERY BARN Trade Mark* [2005] ETMR 74, OHIM Cancellation Division; Decision 813C/001628395/1 *NAKED Trade Mark* (14 December 2004, unreported), OHIM Cancellation Division; and para 243 note 6 post. It is arguable that EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) does not permit the United Kingdom authorities to require the applicant to verify his intention to use the mark in relation to the full width of the specification of goods or services set out in the application form: *Knoll AG's Trade Mark* [2002] EWHC 899 (Ch), [2003] RPC 175, [2002] All ER (D) 133 (May); and see also *Road Tech Computer Systems Ltd v Unison Software (UK) Ltd* [1996] FSR 805, IP & T Digest 22.

The relevant date for assessing bad faith is the date the application for registration of a trade mark is filed, not a later date: *HOTPICKS Trade Mark* [2004] EWHC 689 (Ch), [2004] RPC 834. An allegation of bad faith should be clearly pleaded and proved, and should not be left to be inferred from the facts (*ROYAL ENFIELD Trade Marks* [2002] RPC 508, Appointed Person) but, if clearly pleaded and supported by indirect evidence, such an allegation does not have to be supported by direct evidence (see *Ferrero SpA's Trade Marks* supra; *BRUTT Trade Mark* [2007] RPC 462, Appointed Person).

(iii) Relative Grounds for Refusal of Registration

70. Meaning of 'earlier trade mark'. Many of the relative grounds for refusal of registration[1] depend upon the existence of an earlier trade mark[2]. An 'earlier trade mark' is:

(1) a registered trade mark[3], international trade mark (UK)[4], Community trade mark[5] or international trade mark (EC)[6] which has a date of application for registration[7] earlier than that of the trade mark in question, taking account (where appropriate) of the priorities[8] claimed in respect of the trade marks[9];

(2) a Community trade mark or international trade mark (EC) which has a valid claim to seniority[10] from an earlier registered trade mark or international trade mark (UK)[11];

(3) a registered trade mark or international mark (UK) which has been converted from a Community trade mark or international trade mark (EC) which itself had a valid claim to seniority within head (2) above from an earlier trade mark, and accordingly has the same claim to seniority[12]; or

(4) a trade mark which, at the date of application for registration of the trade mark in question or, where appropriate, of the priority claimed in respect of the application, was entitled to protection under the Paris Convention or the WTO Agreement[13] as a well known trade mark[14].

References to an earlier trade mark include a trade mark in respect of which an application for registration has been made and which, if registered, would be an earlier trade mark by virtue of head (1) or head (2) above, subject to its being so registered[15].

A trade mark within head (1) or head (2) above whose registration expires[16] continues to be taken into account in determining the registrability of a later mark for a period of one year after the expiry unless the registrar[17] is satisfied that there was no bona fide use[18] of the mark during the two years immediately preceding the expiry[19].

1 As to the meaning of 'relative grounds for refusal' see para 55 ante. As to the relative grounds of refusal see para 71 et seq post.

2 The definition of 'earlier trade mark' in the Trade Marks Act 1994 s 6 (as amended) (see the text and notes 3–19 infra) is derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 4(2).

3 As to the meaning of 'registered trade mark' see para 127 post.

4 For the meaning of 'international trade mark (UK)' see para 8 note 17 ante.

5 For the meaning of 'Community trade mark' see para 206 post.
6 For the meaning of 'international trade mark (EC)' see para 8 note 17 ante.
7 For the meaning of 'the date of application for registration' in relation to a United Kingdom registered mark see para 366 note 5 post. In relation to an international trade mark, this is presumably the date of the international registration or, if later, the date when a request for extension of protection to the United Kingdom was made: see paras 21 ante, 366 post.
8 As to claims to priority for registered trade marks of Convention applications and other relevant overseas applications see the Trade Marks Act 1994 ss 35, 36; and paras 378–379 post. As to claims to priority for Community trade marks of Convention applications and other relevant overseas applications see EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, arts 29–31, 33 (art 29 as amended); and para 284 et seq post.
9 Trade Marks Act 1994 s 6(1)(a) (amended by the Trade Marks (International Regulations Designating the European Community etc) Regulations 2004, SI 2004/2332, regs 2, 4(a)).
10 As to seniority see paras 287–288 post.
11 Trade Marks Act 1994 s 6(1)(b) (substituted by the Trade Marks (International Regulations Designating the European Community etc) Regulations 2004, SI 2004/2332, regs 2, 4(b)).
12 Trade Marks Act 1994 s 6(1)(ba) (added by the Trade Marks (International Regulations Designating the European Community etc) Regulations 2004, SI 2004/2332, regs 2, 4(b)).
13 For the meaning of 'well known trade mark entitled to protection under the Paris Convention or the WTO Agreement' see para 153 post. As to the Paris Convention see para 6 ante. For the meaning of the 'WTO Agreement' see para 7 note 1 ante.
14 Trade Marks Act 1994 s 6(1)(c) (amended by the Patents and Trade Marks (World Trade Organisation) Regulations 1999, SI 1999/1899, reg 13(1)). The Trade Marks Act 1994 s 6(1)(c) (as amended) does not accurately reflect EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 4(2)(d): see *Le Mans Autoparts Ltd's Trade Mark Application* (O/012/05), Appointed Person.
15 Trade Marks Act 1994 s 6(2).
16 As to the duration of a registered trade mark see para 29 ante.
17 As to the registrar see para 17 ante.
18 For the meaning of 'use' see para 60 note 8 ante. As to the revocation of the registration of a trade mark by reason of non-use see the Trade Marks Act 1994 s 46; and para 114 et seq post.
19 Ibid s 6(3). Where, however, a trade mark which was on the register at the date of application has subsequently expired and can no longer be restored, it ceases to be an earlier trade mark (*TRANSPAY Trade Mark* [2001] RPC 191, Trade Marks Registry); and cf the position under EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 8 (as amended) (see para 218 note 10 post). As to appeals from decisions of the registrar, including acts of the registrar in exercise of a discretion, see ss 76, 77 (both as amended); and para 405 et seq post.

71. Identical earlier mark for identical goods or services. A trade mark[1] must not be registered[2] if it is identical[3] with an earlier trade mark[4] and the goods or services in relation to which the trade mark is applied for are identical[5] with the goods or services for which the earlier trade mark is protected[6].

1 For the meaning of 'trade mark' see para 57 ante.
2 For the meaning of 'registered' see para 19 note 2 ante. In the case of an international trade mark, the mark 'becomes protected': see paras 13, 55 note 8 ante.
3 A trade mark is 'identical' with an earlier trade mark where it reproduces, without any modification or addition, all the elements constituting the trade mark or where, viewed as a whole, it contains differences so insignificant that they may go unnoticed by an average consumer: Case C-291/00 *LTJ Diffusion SA v Sadas Vertbaudet SA* [2003] ECR I-2799, [2003] IP & T 994, ECJ; and see *Reed Executive plc v Reed Business Information Ltd* [2004] EWCA Civ 159, [2004] RPC 767, [2004] IP & T 1049 (these two cases refer to infringement (see para 86 post), but the discussions of 'identical' trade marks are applicable for these purposes). See also *International Business Machines Corpn v Web-Sphere Ltd* [2004] EWHC 529 (Ch), [2004] All ER (D) 328 (Mar), sub nom *WEBSPHERE Trade Mark* [2004] FSR 39, (decision made under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 9(1)(a) (see para 226 post)). Note that it is important to be clear as to the nature of the earlier trade mark: eg, if it is a word mark, then it will be identical to the same word presented in a particular script; but if it is a stylised word mark, then it may or may not be identical to the same word presented in a different script.
4 For the meaning of 'earlier trade mark' see para 70 ante.
5 There are 'identical' goods or services if the respective specifications overlap; there is no need for the specifications to co-extend: *GALILEO Trade Mark* [2005] RPC 569, Appointed Person (this case refers to

infringement (see para 86 post), but the discussion of 'identical' goods and services is applicable for these purposes). If parts of the respective specifications overlap and parts do not, then this ground of refusal applies to the parts that overlap. Whether goods or services are 'identical' may depend on the construction of the specification; and in the case of services this involves identifying the core activity covered by the term used: *Avnet Ltd v Isoact Ltd* [1998] FSR 16 (provision of facility for customer to advertise on customer's own webpage not 'advertising and promotional services') (this case refers to infringement (see para 86 post), but the discussion of 'identical' goods and services is applicable for these purposes); *Reed Executive plc v Reed Business Information Ltd* [2004] EWCA Civ 159, [2004] RPC 767, [2004] IP & T 1049 (employment website did not provide 'employment agency services') (this case refers to infringement (see para 86 post), but the discussion of 'identical' goods and services is applicable for these purposes); and see also *Associated Newspapers Ltd v Express Newspapers* [2003] EWHC 1322 (Ch), [2003] FSR 51, [2004] IP & T 379 (free newspapers not identical to 'newspapers for sale in England and Wales' since not sold) (this case refers to infringement (see para 86 post), but the discussion of 'identical' goods and services is applicable for these purposes). The specification is to be construed as at the date of application: *Reed Executive plc v Reed Business Information Ltd* supra.

6 Trade Marks Act 1994 s 5(1) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks art 4(1)(a)). Cf the corresponding infringement provision: see the Trade Marks Act 1994 s 10(1); and para 86 post. As to the position where the proprietor of the earlier trade mark consents to the registration see s 5(5); and para 78 post.

72. Identical earlier mark and similar goods or services; similar earlier mark and identical or similar goods or services. A trade mark[1] must not be registered[2] if, because:

(1) it is identical[3] with an earlier trade mark[4] and is to be registered for goods or services similar[5] to those for which the earlier trade mark is protected[6]; or

(2) it is similar[7] to an earlier trade mark and is to be registered for goods or services identical[8] with or similar to those for which the earlier trade mark is protected[9],

there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the earlier trade mark[10].

1 For the meaning of 'trade mark' see para 57 ante.
2 For the meaning of 'registered' see para 19 note 2 ante. In the case of an international application, the mark 'becomes protected': see paras 13, 55 note 8 ante.
3 For the meaning of 'identical' in this context see para 71 note 3 ante.
4 For the meaning of 'earlier trade mark' see para 70 ante.
5 For the meaning of 'similar goods or services' see para 73 post.
6 Trade Marks Act 1994 s 5(2)(a).
7 There may be visual, aural and/or conceptual similarities between marks: see para 74 note 14 post. As to whether a threshold level of similarity is required see para 74 note 3 post.
8 For the meaning of 'identical' in this context see para 71 note 5 ante.
9 Trade Marks Act 1994 s 5(2)(b). It has been held that evidence of parallel trading in the same market is a highly important factor when determining likelihood of confusion under s 5(2)(b): see *Lunan Group Ltd v Edwin Co Ltd* [2006] EWHC 3284 (Ch), [2006] All ER (D) 214 (Dec).
10 Trade Marks Act 1994 s 5(2) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 4(1)(b)). As to the likelihood of confusion see para 74 post; and as to the position where the proprietor of the earlier trade mark consents to the registration see the Trade Marks Act 1994 s 5(5); and para 78 post.

73. Meaning of 'similar goods and services'. The expression 'similar goods and services' is not defined[1]; the expression is not only important to refusal on one of the statutory relative grounds[2] but also to the statutory definition of infringement[3]. The purpose of the concept is to prevent marks from conflicting not only for the umbra of their respective actual goods or services, but for a penumbra also[4]. In some cases goods can be 'similar to' services.

In considering whether or not there is similarity, all factors relating to the goods or services must be taken into account[5]. These factors include: (1) the respective uses of the goods or services; (2) the respective users of the goods or services; (3) the physical nature of the goods or acts of service; (4) the respective trade channels through which the

goods or services reach the market; (5) in the case of self-serve consumer items, where in practice they are respectively found or likely to be found in supermarkets, and in particular whether they are, or are likely to be, found on the same or different shelves; and (6) the extent to which the respective goods are in competition with each other[6]. Even if the goods are not in competition with each other, they may be similar if they are complementary[7]. However, the mere fact that a particular product is used as a component of another does not suffice in itself to show that the two are similar[8].

The nature of the marks being compared is irrelevant to the similarity or otherwise of the goods or services concerned; but when it comes to assessing the likelihood of confusion the two factors are interdependent[9].

1 Ie in either the Trade Marks Act 1994 or EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks.

2 Ie the ground in the Trade Marks Act 1994 s 5(2): see para 72 ante.

3 See ibid s 10(2); and para 87 post.

4 *H Young (Operations) Ltd v Medici Ltd* [2003] EWHC 1589 (Ch) at [20], sub nom *ANIMAL Trade Mark* [2004] FSR 383 at [20] per Jacob J.

5 Case C-39/97 *Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc (formerly Pathe Communications Corpn)* [1998] ECR I-5507, [1998] All ER (EC) 934, [1999] FSR 332, ECJ; Case C-416/04P *The Sunrider Corpn v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] ECR I-4237, [2006] All ER (D) 178 (May), ECJ (decided under EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark (see para 176 et seq post)).

6 Case C-39/97 *Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc (formerly Pathe Communications Corpn)* [1998] ECR I-5507, [1998] All ER (EC) 934, [1999] FSR 332, ECJ; *British Sugar plc v James Robertson & Sons Ltd* [1996] RPC 281 at 296–297, [1996–97] ETMR 118 at 127 per Jacob J; and see also *Associated Newspapers Ltd v Express Newspapers* [2003] EWHC 1322 (Ch), [2003] FSR 51, [2003] All ER (D) 140 (Jun).

The inquiry as to the extent to which the respective goods are competitive may take into account how those in the trade classify goods (e g whether market research companies, who act for the industry, put the goods or services in the same or different sectors): *British Sugar plc v James Robertson & Sons Ltd* supra at 296–297 and 127 per Jacob J. However, the fact that the respective goods are in different classes for trade mark classification purposes does not necessarily mean that they are dissimilar: Case T-8/03 *El Corte Inglés SA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR II-4297, CFI (decided under EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark (see para 176 et seq post)) on the Community trade mark); Case T-202/03 *Alecansan SL v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] IP & T 470, [2006] ETMR 93, [2006] All ER (D) 82 (Feb), CFI (decided under EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark (see para 176 et seq post)).

7 Case C-39/97 *Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc (formerly Pathe Communications Corpn)* [1998] ECR I-5507, [1998] All ER (EC) 934, [1999] FSR 332, ECJ. Goods or services are complementary if there is a close connection between them: see Decision 500/2000 *Tobacna Ljubljana v Hugo Boss AB* (17 March 2000, unreported), OHIM Opposition Division (smokers' articles complementary to filter cigarettes); c f Decision 1051/2002 *Laboratoires Polive snc v Miniconf Srl* (22 April 2002, unreported), OHIM Opposition Division (babies' bottles etc not complementary to clothing for babies).

8 Case T-336/03 *Les Editions Albert René v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2005] ECR II-4667, [2005] All ER (D) 322 (Oct), CFI (computer hardware and software not similar to telecommunications and other electronic products) (decided under EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark (see para 176 et seq post)).

9 As to the likelihood of confusion see para 74 post.

74. Likelihood of confusion. The test of likelihood of confusion is used both for assessing the registrability of a trade mark[1] and as an ingredient of infringement[2]. The question in both situations is whether the combined effect of: (1) the identity or such similarity as there may be between the respective marks (or the mark and the sign); and (2) the identity or such similarity as there may be between the respective goods or services, is to give rise to a likelihood of confusion on the part of the public[3]. In the context of registration, the likelihood of confusion is to be judged assuming both marks are in fair and normal use[4]. In the context of infringement, the court must assume that

the registered trade mark[5] is used in a normal and fair manner in relation to all the goods or services for which it is registered[6]. It must next identify the sign which the defendant is using[7], and then assess the likelihood of confusion due to the use of that sign in relation to the goods or services in respect of which it is being used, discounting added matter or circumstances[8].

The European Court of Justice has given guidance on the correct approach to the assessment of likelihood of confusion[9]:

(a) the likelihood of confusion must be appreciated globally, taking account of all relevant factors[10];

(b) the matter must be judged through the eyes of the average consumer of the goods or services in question[11], who is deemed to be reasonably well informed and reasonably circumspect and observant but who rarely has the chance to make direct comparisons between marks and must instead rely upon the imperfect picture of them he has kept in his mind, and whose attention varies according to the category of goods or services in question[12];

(c) the average consumer normally perceives a mark as a whole and does not proceed to analyse its various details[13];

(d) the appreciation of the visual, aural and conceptual similarities of the marks must therefore be based on the overall impressions created by the marks bearing in mind their distinctive and dominant components[14];

(e) there is a greater likelihood of confusion where the earlier mark has a highly distinctive character, either per se or because of the use that has been made of it[15];

(f) there is an interdependence between the various relevant factors, so that a lesser degree of similarity between the goods or services may be offset by a greater degree of similarity between the marks, and vice versa[16];

(g) mere association, in the strict sense that the later mark brings the earlier mark to mind, is not sufficient[17];

(h) the reputation of a mark does not give grounds for presuming a likelihood of confusion simply because of a likelihood of association in the strict sense[18];

(i) the risk that the public might wrongly believe that the respective goods or services come from the same or economically linked undertakings constitutes a likelihood of confusion[19].

Where there has been honest concurrent use[20] of the marks on a substantial scale for a substantial period of time without actual confusion, that may show that there is no likelihood of confusion provided that the circumstances of use of the later mark correspond to the circumstances relevant to the assessment of likelihood of confusion, for example regarding the goods or services in relation to which the mark has been used[21].

1 Ie under the Trade Marks Act 1994 s 5(2): see para 72 ante.

2 Ie under ibid s 10(2): see para 87 post. The same interpretation must be applied to both provisions: Case C-425/98 *Marca Mode CV v Adidas AG* [2000] ECR I-4861, [2000] All ER (EC) 694, [2000] 2 CMLR 1061, [2000] ETMR 723, ECJ.

3 Generally speaking, this is a single composite question: see eg *The European Ltd v The Economist Newspaper Ltd* [1998] FSR 283, [1998] ETMR 307, CA; *BALMORAL Trade Mark* [1999] RPC 297, Appointed Person. In some cases, it may be possible to say that there is no similarity at all between the respective trade marks (or between the respective goods or services) and therefore conclude that there is no likelihood of confusion: Case C-106/03P *Vedial SA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2005] ECR I-9573, ECJ (decided under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 8(1)(b) (see para 220 post)). This approach, however, can only safely be adopted in clear cases: Case C-235/05 *L'Oreal SA v Office of Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] ECR I-57, ECJ; Case T-396/04 *Soffass SpA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)*

[2006] IP & T 272, [2005] All ER (D) 301 (Nov), CFI (decided under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1), ie art 8(1)(b) (see para 220 post)); *Home-Tek International Ltd's Trade Mark Application* (O/144/05), Appointed Person; *CITYBOND Trade Mark* [2007] RPC 301, Appointed Person; *Hyundai Mobis Co Ltd's Trade Mark Application* (O/020/07), Appointed Person. Conflicting views have been expressed as to whether a threshold level of similarity is required before there can be a likelihood of confusion: see *Hachette Filipacchi Presse SA v Saprotext International (Proprietary) Ltd* [2007] EWHC 63 (Ch), [2007] All ER (D) 188 (Jan); *L'Oréal SA v Bellure NV* [2006] EWHC 2355 (Ch), [2007] RPC 328, [2007] ETMR 1; *esure Insurance Ltd v Direct Line Insurance plc* [2007] EWHC 1557 (Ch), [2007] All ER (D) 382 (Jun).

4 See eg *REACT Trade Mark* [2000] RPC 285, Appointed Person.

5 As to the meaning of 'registered trade mark' see para 127 post.

6 *Origin Natural Resources Inc v Origin Clothing Ltd* [1995] FSR 280; *Compass Publishing BV v Compass Logistics Ltd* [2004] EWHC 520 (Ch), [2004] RPC 809, [2004] 17 LS Gaz R 32 (decided under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, ie art 9(1)(b) (see para 227 post)). The registered trade mark may not in fact be used in relation to all the goods or services for which it is registered or at all.

7 Case C-291/00 *LTJ Diffusion SA v Sadas Vertbaudet SA* [2003] ECR I-2799 at [49], [2003] IP & T 994 at [49] per Jacobs AG; *Reed Executive plc v Reed Business Information Ltd* [2004] EWCA Civ 159, [2004] RPC 767, [2004] IP & T 1049.

8 *Origin Natural Resources Inc v Origin Clothing Ltd* [1995] FSR 280 at 284 per Jacob J, corrected in *British Sugar plc v James Robertson & Sons Ltd* [1996] RPC 281 at 293 per Jacob J; *United Biscuits (UK) Ltd v Asda Stores Ltd* [1997] RPC 513; *Aktiebolaget Volvo v Heritage (Leicester) Ltd* [2000] FSR 253, [1999] All ER (D) 478; *Premier Brands UK Ltd v Typhoon Europe Ltd* [2000] FSR 767, [2000] IP & T 218; *Decon Laboratories Ltd v Fred Baker Scientific Ltd* [2001] RPC 293, (2001) Times, 28 February; *BP Amoco plc v John Kelly Ltd* [2001] IP & T 787, [2002] FSR 87, NI CA; *Julius Sämann Ltd v Tetrosyl Ltd* [2006] EWHC 529 (Ch), [2006] ETMR 75, [2006] All ER (D) 274 (Mar); but cf *O2 Holdings Ltd v Hutchison 3G Ltd* [2006] EWCA Civ 1656, [2007] RPC 407, [2007] ETMR 19 (questions referred to the ECJ).

9 The leading cases are Case C-251/95 *Sabel BV v Puma AG, Rudolf Dassler Sport* [1997] ECR I-6191, [1998] RPC 199, [1998] 1 CMLR 445, ECJ; Case C-342/97 *Lloyd Schuhfabrik Meyer & Co GmbH v Klijsen Handel BV* [1999] ECR I-3819, [1999] All ER (EC) 587, [2000] FSR 77, ECJ; Case C-39/97 *Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc (formerly Pathe Communications Corpn)* [1998] ECR I-5507, [1998] All ER (EC) 934, [1999] FSR 332, ECJ; Case C-425/98 *Marca Mode CV v Adidas AG* [2000] ECR I-4861, [2000] All ER (EC) 694, [2000] 2 CMLR 1061, [2000] ETMR 723, ECJ.

The summary set out in heads (a)–(i) in the text is based on that adopted and applied by the Registrar of Trade Marks.

10 Case C-251/95 *Sabel BV v Puma AG, Rudolf Dassler Sport* [1997] ECR I-6191, [1998] RPC 199, [1998] 1 CMLR 445, ECJ.

11 Case C-251/95 *Sabel BV v Puma AG, Rudolf Dassler Sport* [1997] ECR I-6191, [1998] RPC 199, [1998] 1 CMLR 445, ECJ.

12 Case C-342/97 *Lloyd Schuhfabrik Meyer & Co GmbH v Klijsen Handel BV* [1999] ECR I-3819, [1999] All ER (EC) 587, [2000] FSR 77, ECJ.

13 Case C-251/95 *Sabel BV v Puma AG, Rudolf Dassler Sport* [1997] ECR I-6191, [1998] RPC 199, [1998] 1 CMLR 445, ECJ. The overall impression of a complex trade mark may in certain circumstances be dominated by one or more of its components: Case C-3/03P *Matratzen Concord GmbH v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR I-3657, ECJ (decided under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, ie art 8(1)(b) (see para 220 post)); Case C-120/04 *Medion AG v Thomson Multimedia Sales Germany & Austria GmbH* [2006] ECR I-8551, [2006] IP & T 150, [2006] ETMR 13, ECJ. Nevertheless it is only if all the other components of the mark are negligible that the assessment of similarity can be carried out solely on the basis of the dominant element: Case C-334/05P *Office of Harmonisation in the Internal Market (Trade Marks and Designs) v Shaker di L Laudato & C Sas* [2007] All ER (D) 91 (Jun). A descriptive element will not constitute the distinctive and dominant component of a composite mark: Case T-129/01 *Jose Alejandro SL v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2003] ECR II-2251, CFI (decided under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, ie art 8(1)(b) (see para 220 post)); Case T-117/02 *Grupo El Prado Cervera SL v Office for Harmonisation in the International Market* [2004] ECR II-2073, CFI (decided under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, ie art 8(1)(b) (see para 220 post)); Joined Cases T-117/03 to T-119/03 *New Look Ltd v Office for Harmonisation in the International Market* [2004] ECR II-3471, CFI (decided under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, ie art 8(1)(b) (see para 220 post)); Case T-147/03 *Devinlec Developpement Innovation Leclerc SA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] IP & T 436, [2006] All ER (D) 36 (Jan), CFI (decided under the equivalent provision of EC Council Regulation 40/94 (OJ L11,

14.1.94, p 1) on the Community trade mark, i e art 8(1)(b)). The same is true of a descriptive prefix (or presumably suffix) forming part of a word mark: Case T-202/04 *Madaus AG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] IP & T 591, [2006] ETMR 76, CFI (decided under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 8(1)(b)). On the other hand, there may be a likelihood of confusion where the contested sign is composed by juxtaposing the company name of another party and a registered trade mark which has normal distinctiveness and which, without alone determining the overall impression conveyed by the composite sign, still has an independent distinctive role therein: Case C-120/04 *Medion AG v Thomson Multimedia Sales Germany & Austria GmbH* supra.

14 Case C-251/95 *Sabel BV v Puma AG, Rudolf Dassler Sport* [1997] ECR I-6191, [1998] RPC 199, [1998] 1 CMLR 445, ECJ. Whether there is a likelihood of confusion depends on the net effect of the visual and/or aural and/or conceptual similarities in conjunction with the other factors. Thus mere conceptual similarity may be sufficient if the earlier mark has a particularly distinctive character (Case C-251/95 *Sabel BV v Puma AG, Rudolf Dassler Sport* supra); and mere aural similarity may also be sufficient (Case C-342/97 *Lloyd Schuhfabrik Meyer & Co GmbH v Klijsen Handel BV* [1999] ECR I-3819, [1999] All ER (EC) 587, [2000] FSR 77, ECJ). Conversely, in an appropriate case conceptual differences between the marks can counteract visual and aural similarities between them, leading to the conclusion that there is no likelihood of confusion: Case C-361/04P *Ruiz-Picasso v Office for Harmonisation in the International Market* [2006] ECR I-643, [2006] IP & T 283, ECJ (decided under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 8(1)(b) (see para 220 post)). This is particularly so if there are visual differences as well: Case C-206/04P *Mühlens GmbH & Co KG v Office for Harmonisation in the International Market* [2006] IP & T 558, [2006] EMLR 57 (decided under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1), i e art 8(1)(b) (see para 220 post)). Aural similarity between the marks is less important in the case of goods which are marketed in such a way that the relevant public usually perceives the mark visually: Case T-292/01 *Phillips-Van Heusen Corpn v Office for Harmonisation in the International Market* [2003] ECR II-4335, [2003] All ER (D) 235 (Oct), CFI (decided under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1), i e art 8(1)(b) (see para 220 post)); Joined Cases T-117/03 to T/119/03 *New Look Ltd v Office for Harmonisation in the International Market* [2004] ECR II-3471, CFI (decided under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 8(1)(b) (see para 220 post)); Case T-301/03 *Canali Ireland Ltd v Office for Harmonisation in the International Market* [2005] ECR II-2479, [2005] All ER (D) 317 (Jun), CFI (decided under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 8(1)(b) (see para 220 post)). The likelihood of confusion may be increased if the earlier trade mark forms part of a 'family' of trade marks having a common element provided that the marks have been used: Case T-214/00 *Royal County of Berkshire Polo Club Ltd v Office for Harmonisation in the International Market* [2006] ETMR 59, CFI; Case T-194/03 *Il Ponte Finanziaria SpA* v *Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] ECR II-445, CFI (decided under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 8(1)(b) (see para 220 post)).

15 Case C-251/95 *Sabel BV v Puma AG, Rudolf Dassler Sport* [1997] ECR I-6191, [1998] RPC 199, [1998] 1 CMLR 445, ECJ; Case C-39/97 *Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc (formerly Pathe Communications Corpn)* [1998] ECR I-5507, [1998] All ER (EC) 934, [1999] FSR 332, ECJ. In the infringement context, the distinctive character of the mark must be assessed as of the date when the defendant began to use the sign: Case C-145/05 *Levi Strauss & Co v Casucci Spa* [2007] FSR 170, [2006] ETMR 71, ECJ. As to the assessment of distinctive character see paras 60–61 ante.

16 Case C-39/97 *Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc (formerly Pathe Communications Corpn)* [1998] ECR I-5507, [1998] All ER (EC) 934, [1999] FSR 332, ECJ; Case C-342/97 *Lloyd Schuhfabrik Meyer & Co GmbH v Klijsen Handel BV* [1999] ECR I-3819, [1999] All ER (EC) 587, [2000] FSR 77, ECJ; Case C-425/98 *Marca Mode CV v Adidas AG* [2000] ECR I-4861, [2000] All ER (EC) 694, [2000] 2 CMLR 1061, [2000] ETMR 723, ECJ.

17 Case C-251/95 *Sabel BV v Puma AG, Rudolf Dassler Sport* [1997] ECR I-6191, [1998] RPC 199, [1998] 1 CMLR 445, ECJ.

18 Case C-425/98 *Marca Mode CV v Adidas AG* [2000] ECR I-4861, [2000] All ER (EC) 694, [2000] 2 CMLR 1061, [2000] ETMR 723, ECJ.

19 Case C-39/97 *Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc (formerly Pathe Communications Corpn)* [1998] ECR I-5507, [1998] All ER (EC) 934, [1999] FSR 332, ECJ; Case C-342/97 *Lloyd Schuhfabrik Meyer & Co GmbH v Klijsen Handel BV* [1999] ECR I-3819, [1999] All ER (EC) 587, [2000] FSR 77, ECJ. It appears that such a likelihood of confusion must exist at (or possibly before) the point of sale, and that post-sale confusion is irrelevant: Case C-361/04P *Ruiz-Picasso v Office for Harmonisation in the International Market* [2006] ECR I-643, [2006] IP & T 283, ECJ (decided under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 8(1)(b) (see para 220 post)).

20 As to honest concurrent use see paras 80–81 post.

21 Case T-31/03 *Grupo Sada pa SA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2005] ECR II-1667, CFI (decided under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 8(1)(b) (see para 220 post)); Case T-29/04 *Castelblanch SA v Office for Harmonisation in the Internal Market* [2005] ECR II-5309, [2006] ETMR 61, CFI (this case considered the question of genuine use under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 43(2), (3) (see para 282 post)); Case T-346/04 *Sadas SA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2005] ECR II-4891, [2006] IP & T 420, [2006] ETMR 27, CFI (decided under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 8(1)(b) (see para 220 post)); *Phones4U Ltd v Phone4u.co.uk Internet Ltd* [2006] EWCA Civ 244, [2007] RPC 83; *Lunan Group Ltd v Edwin Co Ltd* [2006] EWHC 3284 (Ch), [2006] All ER (D) 214 (Dec), sub nom *FIORELLI Trade Mark* [2007] RPC 447; *CODAS Trade Mark* [2001] RPC 240, Trade Mark Registry; *Professional Cycle Manufacturing Ltd's Trade Mark Application* (O/238/05), Appointed Person; *RatiopharmGmbH's Application* (O/079/07), Appointed Person. See also Case R 415/1999–1 *Goldshield Group plc v Unilever plc* (12 September 2000, unreported), OHIM Board of Appeal. Co-existence on the register is not enough: Case R 360/2000–4 *Antas-Gestoa e Investimentos Lda v Magliera SL* (8 January 2002, unreported), OHIM Board of Appeal.

75. Identical or similar mark taking unfair advantage of, or being detrimental to, distinctive character or repute of earlier mark. A trade mark[1] which is identical with or similar to an earlier trade mark[2] must not be registered[3] if, or to the extent that, the earlier trade mark has a reputation in the United Kingdom[4] (or, in the case of a Community trade mark[5] or international trade mark (EC)[6], in the European Community)[7] and the use[8] of the later mark without due cause[9] would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark[10].

1 For the meaning of 'trade mark' see para 57 ante.

2 For the meaning of 'earlier trade mark' see para 70 ante.

3 For the meaning of 'registered' see para 19 note 2 ante. In the case of an international trade mark, the mark 'becomes protected': see paras 13, 55 note 8 ante.

4 For the meaning of 'United Kingdom' see para 3 note 2 ante.

5 For the meaning of 'Community trade mark' see para 206 post.

6 For the meaning of 'international trade mark (EC)' see para 8 note 17 ante.

7 A trade mark has a reputation for this purpose if it is known to a significant part of the public concerned by the products or services covered by the trade mark, so that when confronted by a similar or identical mark, used even on dissimilar goods or services, they nevertheless make an association between the two marks: Case C-375/97 *General Motors Corpn v Yplon SA* [1999] ECR I-5421, [1999] All ER (EC) 865, [1999] 3 CMLR 427, [2000] RPC 572, ECJ. The stronger the registered trade mark's distinctive character and reputation, the easier it is to establish that unfair advantage will be taken of it or detriment will be caused to it: Case C-375/97 *General Motors Corpn v Yplon SA* supra; *Premier Brands UK Ltd v Typhoon Europe Ltd* [2000] FSR 767, [2000] IP & T 218; Case R 308/2003–1 *Mango Sport System SRL Socio Unico Mangone Antonio Vincenzo v Diknah SL* [2005] ETMR 5, OHIM Board of Appeal.

It is sufficient if the trade mark has acquired the necessary reputation in a substantial part of the United Kingdom: see Case C-375/97 *General Motors Corpn v Yplon SA* supra (sufficient that trade mark had reputation in a substantial part of a member state). In the case of a Community trade mark it must have a reputation in the Community and not merely in the United Kingdom: *Hyundai Mobis Co Ltd's Trade Mark Application* (O/020/07), Appointed Person.

8 For the meaning of 'use' see para 60 note 8 ante.

9 It is for the defendant to show that he has a 'due cause': *Pfizer Ltd v Eurofood Link (UK) Ltd* [2001] FSR 17; *Premier Brands UK Ltd v Typhoon Europe Ltd* [2000] FSR 767, [2000] IP & T 218. Mere honesty in adopting a trade mark is not enough; the defendant must show some sort of compulsion or right to use the mark or sign in question: *Premier Brands UK Ltd v Typhoon Europe Ltd* supra; Case R-281/1999–3 *Hollywood SAS v Souza Cruz SA* [2002] ETMR 64, OHIM Board of Appeal (decision made under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 8(5) (see para 221 post)). In an appropriate case the exercise of the right of freedom of expression may perhaps constitute due cause: c f *Laugh It Off Promotions CC v South African Breweries International (Finance) BV* 2005 (8) BCLR 743, SA CC.

10 Trade Marks Act 1994 s 5(3) (amended by the Trade Marks (Proof of Use, etc) Regulations 2004, SI 2004/946, regs 3, 7(1); and the Trade Marks (International Registrations Designating the European

Community etc) Regulations, SI 2004/2332, regs 2, 3). This provision is derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 4(3), (4)(a). The amendment made by the Trade Marks (Proof of Use, etc) Regulations 2004, SI 2004/946, gives effect to the rulings of the European Court of Justice that EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) art 4(4)(a) is to be interpreted as applying where the trade mark is sought to be registered for identical or similar goods or services to those in respect of which the earlier trade mark is registered as well as for goods or services which are not similar (Case C-292/00 *Davidoff & Cie SA v Gofkid Ltd* [2003] ECR I-389, [2003] All ER (EC) 1029, ECJ; Case C-408/01 *Adidas-Salomon AG v Fitnessworld Trading Ltd* [2004] Ch 120, [2003] ECR I-12537, ECJ), although the amendment was unnecessary (*Electrocoin Automatics Ltd v Coinworld Ltd* [2004] EWHC 1498 (Ch), [2005] FSR 7, [2005] IP & T 132). See also *Intel Corpn Inc v CPM United Kingdom Ltd* [2007] EWCA Civ 431, [2007] All ER (D) 218 (May) (questions referred to the ECJ). Cf the corresponding infringement provision: see the Trade Marks Act 1994 s 10(3) (as amended); and para 88 post. As to the concepts of unfair advantage and detriment see para 76 post. As to the position where the proprietor of the earlier mark consents to the registration see the Trade Marks Act 1994 s 5(5); and para 78 post.

76. Unfair advantage and detriment to earlier trade mark. The tests of taking unfair advantage of, and being detrimental to, the distinctive character or the repute of a mark are used both for assessing the registrability of a trade mark[1] and as an ingredient of infringement[2]. It must be shown that use[3] of the later trade mark would be likely to[4], or use of the sign does[5], take unfair advantage or cause detriment.

It is not necessary to prove confusion to establish an unfair advantage or detriment; it is sufficient for the degree of similarity between the trade mark applied for and the earlier trade mark to have the effect that the relevant section of the public establishes a link between them[6]. The existence of such a link must be appreciated globally taking into account all factors relevant to the circumstances of the case[7].

'Unfair advantage' is taken where the use of the trade mark applied for would enable the applicant to exploit the distinctive character or repute of the earlier trade mark to market its goods or services, thereby taking the benefit of the promotional expenditure of the proprietor of the earlier trade mark and saving on its own investment in promotion[8]. It is not sufficient, without more, that the later trade mark would remind people of the earlier trade mark[9].

'Detriment' to the distinctive character or repute of a trade mark may be established by showing that the use of the offending mark would give the mark an unfavourable connotation ('tarnishing')[10]. It may also be established by showing that the use of the later trade mark would erode the distinctiveness of the earlier trade mark ('blurring' or 'dilution')[11], or by showing that use of the later mark would inhibit exploitation of the reputation of the earlier trade mark, for example by licensing or merchandising[12].

1 Ie under the Trade Marks Act 1994 s 5(3) (as amended) and under EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 8(5): see paras 75 ante, 221 post. For the meaning of 'trade mark' see para 57 ante.

2 Ie under the Trade Marks Act 1994 s 10(3) (as amended) and under EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 9(1)(c): see paras 88, 228 post.

3 For the meaning of 'use' see para 60 note 8 ante.

4 Case T-67/04 *SA Spa Monopole v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2005] ECR II-1825, CFI (decision made under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 8(5) (see para 221 post)).

5 *Mastercard International Inc v Hitachi Credit (UK) plc* [2004] EWHC 1623 (Ch), [2005] RPC 551, [2005] ETMR 10.

6 Case C-408/01 *Adidas-Salomon AG v Fitnessworld Trading Ltd* [2004] Ch 120, [2003] ECR I-12537, ECJ; and see also Case C-375/97 *General Motors Corpn v Yplon SA* [1999] ECR I-5421, [1999] All ER (EC) 865, [1999] 3 CMLR 427, [2000] RPC 572, ECJ.

In the infringement context, the necessary link will not be established if the public views the sign purely as an embellishment: Case C-408/01 *Adidas-Salomon AG v Fitnessworld Trading Ltd* supra.

7 Case C-408/01 *Adidas-Salomon AG v Fitnessworld Trading Ltd* [2004] Ch 120, [2003] ECR I-12537, ECJ. See also *Intel Corpn Inc v CPM United Kingdom Ltd* [2007] EWCA Civ 431, [2007] All ER (D) 218 (May) (questions referred to the ECJ).

8 Case C-408/01 *Adidas-Salomon AG v Fitnessworld Trading Ltd* [2004] Ch 120 at [39], [2003] ECR I-12537 at [39] per Jacobs AG (opinion); Case T-477/04 *Aktieselskabet af 21 November 2001 v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2007] All ER (D) 63 (Feb) (TDK for clothing would take unfair advantage of TDK for audio and video tape) (decision made under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 8(5) (see para 221 post)); Case T-67/04 *SA Spa Monople, Compagnie Fermière de Spa SA/NV v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2005] ECR II-1825, CFI (decision made under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 8(5) (see para 221 post)); Case T-47/06 *Antarctica Srl v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2007] All ER (D) 156 (May), CFI (NASDAQ for various goods would take unfair advantage of NASDAQ for financial services); Case T-215/03 *SIGLA SA v Office for the Harmonisation in the Internal Markets (Trade Marks and Designs)* [2007] All ER (D) 380 (Mar), CFI (decision made under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 8(5) (see para 221 post)); Case R-308/2003–1 *Mango Sport System Srl Socio Unico Mangone Antonio Vincenzo v Diknah SL* [2005] ETMR 5, OHIM Board of Appeal (MANGO for protective helmets would take unfair advantage of reputation of MANGO for clothing); Case R 1204/2004–1 *V & S Vin & Spirit AB v Hoya Corpn* (12 July 2005, unreported), OHIM Board of Appeal (ABBSOLUTE for eyeglasses would take unfair advantage of reputation of ABSOLUT for vodka) (decision made under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 8(5) (see para 221 post)); Case R 301/2005–2 *Nike International Ltd v Fina Calzados SL* (19 May 2006, unreported), OHIM Board of Appeal (D'NICKERS and device for footwear would take unfair advantage of reputation of NIKE and device) (decision made under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1), i e art 8(5) (see para 221 post)); Case R 550/2004–4 *Suzuki Motor Corpn v Whirlpool Europe Srl* (3 July 2006, unreported), OHIM Board of Appeal (IGNIS for vehicles would take unfair advantage of reputation of IGNIS for household appliances) (decision made under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1), i e art 8(5) (see para 221 post)); *L'Oréal SA v Bellure NV* [2006] EWHC 2355 (Ch), [2007] RPC 328, [2007] ETMR 1 (packaging of 'smell-alike' perfumes took unfair advantage of reputation of packaging trade marks of branded perfumes).

9 *CA Sheimer (M) Sdn Bhd's Trade Mark Application* [2000] RPC 484 at 505, Appointed Person; *Premier Brands UK Ltd v Typhoon Europe Ltd* [2000] FSR 767, [2000] IP & T 218; *Electrocoin Automatics Ltd v Coinworld Ltd* [2004] EWHC 1498 (Ch), [2005] FSR 79, [2005] IP & T 132; Case T-215/03 *SIGLA SA v Office for the Harmonisation in the Internal Markets (Trade Marks and Designs)* [2007] All ER (D) 380 (Mar), CFI (decision made under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 8(5) (see para 221 post)).

10 Case C-408/01 *Adidas-Salomon AG v Fitnessworld Trading Ltd* [2004] at [38], [2003] ECR I-12537 at [38] per Jacobs AG (opinion); Case T-67/04 *SA Spa Monople, Compagnie Fermière de Spa SA/NV v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2005] ECR II-1825, CFI (decision made under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 8(5) (see para 221 post)); *CA Sheimer (M) Sdn Bhd's Trade Mark Application* [2000] RPC 484, Appointed Person (association between financial services and condoms); *Premier Brands UK Ltd v Typhoon Europe Ltd* [2000] FSR 767, [2000] IP & T 218 (allegation of detriment failed on the facts); *GALAXY Trade Mark* (O/179/00), Trade Marks Registry (association between chocolate and poisons); Case R-281/1999–3 *Hollywood SAS v Souza Cruz SA* [2002] ETMR 64, OHIM Board of Appeal (association between chewing gum and tobacco) (decision made under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 8(5) (see para 221 post)); Case R-1007/2000–1 *ER Squibb & Sons LLC v Pharmalife Italia Srl* (30 November 2001, unreported), OHIM Board of Appeal (association between drug and bleaching preparations).

11 Case C-408/01 *Adidas-Salomon AG v Fitnessworld Trading Ltd* [2004] Ch 120 at [37], [2003] ECR I-12537 at [37] per Jacobs AG (opinion); Case T-67/04 *SA Spa Monople, Compagnie Fermière de Spa SA/NV v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2005] ECR II-1825, CFI; *Premier Brands UK Ltd v Typhoon Europe Ltd* [2000] FSR 767, [2000] IP & T 218; *Intel Corpn v Sihra* [2003] EWHC 17 (Ch), [2003] RPC 789, [2004] ETMR 44 (use of INTEL-PLAY for toys would dilute repute of INTEL for microprocessors); Case R-470/2001–2 *J Floris Ltd v Istrad Ltd* [2005] ETMR 8, OHIM Board of Appeal (use of FLORIS for textile products would dilute repute of FLORIS for perfume) (decision made under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 8(5) (see para 221 post)). See also *Intel Corpn Inc v CPM United Kingdom Ltd* [2007] EWCA Civ 431, [2007] All ER (D) 218 (May) (questions referred to the ECJ).

The concept of 'blurring' is considered by Sir Thomas Bingham MR in *Taittinger SA v Allbev Ltd* [1994] 4 All ER 75, [1993] FSR 641, CA. For a general discussion of the concept of dilution see *Premier Brands UK Ltd v Typhoon Europe Ltd* supra; Schecter *The Rational Basis of Trademark Protection* (1926) 40 Harv L Rev 813; Martino *Trademark Dilution* (1st Edn, 1996); Mostert *Famous and Well-Known Marks* (2nd Edn, 2004).

12 Case R 145/2003–2 *Deutsche Telekom AG v Comité International Olympique (Association)* (1 March 2004, unreported), OHIM Board of Appeal (decision made under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 8(5) (see para 221 post)); *Valucci Designs Ltd's Trade Mark Application* (O/455/00), Appointed Person.

77. Refusal by virtue of an earlier right; meaning of 'earlier right'. A trade mark[1] must not be registered[2] if, or to the extent that, its use[3] in the United Kingdom[4] is liable to be prevented[5]:

(1) by virtue of any rule of law (in particular, the law of passing off[6]) protecting an unregistered trade mark or other sign used in the course of trade[7]; or

(2) by virtue of an earlier right[8], in particular by virtue of the law of copyright[9], design right[10] or registered designs[11].

A person thus entitled to prevent the use of a trade mark is referred to in the Trade Marks Act 1994 as the proprietor of an 'earlier right' in relation to the trade mark[12].

1 For the meaning of 'trade mark' see para 57 ante.
2 For the meaning of 'registered' see para 19 note 2 ante. In the case of an international trade mark, the mark 'becomes protected': see paras 13, 55 note 8 ante.
3 For the meaning of 'use' see para 60 note 8 ante.
4 For the meaning of 'United Kingdom' see para 3 note 2 ante.
5 Trade Marks Act 1994 s 5(4). See also EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 4(4)(b), (c).
6 As to passing off see para 304 et seq post. In this context the correct approach is to consider whether normal and fair use of the trade mark applied for would result in passing off: *WILD CHILD Trade Mark* [1998] RPC 455, Appointed Person; *CORGI Trade Mark* [1999] RPC 549, Appointed Person. Normally the issue must be determined as at the date of the filing of the application, but if the mark applied for was in issue at that date, it would appear necessary to consider the position as at the date the use of the mark commenced: see para 307 post. If the applicant is the senior user he should prevail, at least so far as the application corresponds to his earlier use: *Croom's Trade Mark Application* [2005] RPC 23, Appointed Person; *Taplanes Ltd's Trade Mark Application* (O/135/06), Appointed Person.
7 Trade Marks Act 1994 s 5(4)(a). As to the meaning of 'trade' see para 60 note 4 ante.
8 Ie other than those referred to in ibid s 5(1)–(3) (s 5(3) as amended) (see paras 71–72, 75 ante) or s 5(4)(a) (see head (1) in the text).
9 As to copyright see COPYRIGHT, DESIGN RIGHT AND RELATED RIGHTS vol 9(2) (2006 Reissue) para 3 et seq.
10 As to design right see COPYRIGHT, DESIGN RIGHT AND RELATED RIGHTS vol 9(2) (2006 Reissue) paras 10, 501 et seq.
11 Trade Marks Act 1994 s 5(4)(b). As to registered designs see PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 758 et seq.
12 Ibid s 5(4). See also note 5 supra. Any person (and not only the proprietor of the earlier right) may oppose the registration of the trade mark: *WILD CHILD Trade Mark* [1998] RPC 455, Appointed Person. As to the position where the proprietor of the earlier mark consents to the registration see the Trade Marks Act 1994 s 5(5); and para 78 post.

78. Permission of the proprietor of an earlier trade mark or earlier right. Nothing in the relative grounds for refusal of registration[1] prevents the registration of a trade mark[2] where the proprietor of the earlier trade mark[3] or other earlier right[4] consents to the registration[5].

1 Ie the Trade Marks Act 1994 s 5 (as amended): see paras 71–77 ante. For the meaning of 'registration' see para 19 note 2 ante.
2 For the meaning of 'trade mark' see para 57 ante.
3 For the meaning of 'earlier trade mark' see para 70 ante.
4 For the meaning of 'earlier right' see para 77 ante.
5 Trade Marks Act 1994 s 5(5). See also EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 4(5). It is not clear whether consent given after registration is sufficient. In relation to Community trade marks, consent may be given at any time before the validity of the registration is challenged: see EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 52(3); and para 244 post.

79. Raising of relative grounds in opposition proceedings in case of non-use. In opposition proceedings[1], where:

(1) an application for registration of a trade mark[2] has been published[3];

(2) there is an earlier trade mark[4] in relation to which the specified conditions[5] obtain; and

(3) the registration procedure for the earlier trade mark was completed before the start of the period of five years ending with the date of publication[6],

the registrar[7] must not refuse to register the trade mark by reason of the earlier trade mark unless the 'use conditions' are met[8]. The 'use conditions' are met if:

(a) within the period of five years ending with the date of publication of the application, the earlier trade mark has been put to genuine use[9] in the United Kingdom[10] by the proprietor or with his consent in relation to the goods or services for which it is registered[11]; or

(b) the earlier trade mark has not been so used, but there are proper reasons[12] for non-use[13].

Where an earlier trade mark satisfies the use conditions in respect of some only of the goods or services for which it is registered, it must be treated for these purposes as if it were registered only in respect of those goods or services[14].

1 As to opposition proceedings see para 384 et seq post.

2 As to the requirements for registration see para 55 et seq ante; and as to the procedure on the application see para 352 et seq post. For the meaning of 'trade mark' see para 57 ante; and for the meaning of 'registration' see para 19 note 2 ante.

3 For the meaning of 'publish' see para 17 note 10 ante.

4 For the meaning of 'earlier trade mark' see para 70 ante.

5 Ie the conditions specified in the Trade Marks Act 1994 s 5(1), (2) or (3) (s 5(3) as amended): see paras 71–72, 75 ante.

6 Cf ibid s 46(1)(a): see para 114 post.

7 As to the registrar see para 17 ante.

8 Trade Marks Act 1994 s 6A(1), (2) (s 6A added by the Trade Marks (Proof of Use, etc) Regulations 2004, SI 2004/946, regs 3, 4). See also EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 11(2). Nothing in the Trade Marks Act s 6A (as added) affects: (1) the refusal of the registration on the grounds mentioned in s 3 (absolute grounds for refusal: see para 58 et seq ante) or s 5(4) (refusal by virtue of an earlier right: see para 77 ante); or (2) the making of an application for a declaration of invalidity under s 47(2) (application on relative grounds where no consent to registration: see para 119 post): s 6A(7) (as so added).

9 For these purposes, use of a trade mark includes use in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered: ibid s 6A(4)(a) (as added: see note 8 supra). Cf s 46(2): see para 114 post.

For the meaning of 'genuine use' see para 114 note 6 post; and for the meaning of 'use' generally see para 60 note 8 ante.

10 For these purposes, use in the United Kingdom includes affixing the trade mark to goods or to the packaging of goods in the United Kingdom solely for export purposes: ibid s 6A(4)(b) (as added: see note 8 supra). Cf s 46(2): see para 114 post. In relation to a Community trade mark, any reference to the United Kingdom in s 6A(3), (4) (as added) must be construed as a reference to the European Community: s 6A(5) (as so added). For the meaning of 'United Kingdom' generally see para 3 note 2 ante.

11 Ibid s 6A(3)(a) (as added: see note 8 supra). See also note 10 supra.

12 As to proper reasons see para 114 note 10 post.

13 Trade Marks Act 1994 s 6A(3)(b) (as added: see note 8 supra). See also note 10 supra.

14 Ibid s 6A(6) (as added: see note 8 supra).

80. Raising of relative grounds in case of honest concurrent use. Where on an application for the registration of a trade mark[1] it appears to the registrar[2]:

(1) that there is an earlier trade mark[3] in relation to which the specified conditions[4] obtain[5]; or

(2) that there is an earlier right[6] in relation to which the specified condition is satisfied[7],

but the applicant shows to the satisfaction of the registrar that there has been honest concurrent use[8] of the trade mark for which registration is sought[9], the registrar must not refuse the application by reason of the earlier trade mark or other earlier right unless objection on that ground is raised in opposition proceedings[10] by the proprietor of that earlier trade mark or other earlier right[11].

If the proprietor of the earlier trade mark or other earlier right does raise an objection on that ground in opposition proceedings, the objection must be considered and, if made out, registration must be refused[12].

1 As to the requirements for registration see para 55 et seq ante; and as to the procedure on the application see para 352 et seq post. For the meaning of 'trade mark' see para 57 ante; and for the meaning of 'registration' see para 19 note 2 ante.
2 As to the registrar see para 17 ante.
3 For the meaning of 'earlier trade mark' see para 70 ante.
4 Ie the conditions specified in the Trade Marks Act 1994 s 5(1), (2) or (3) (s 5(3) as amended): see paras 71–72, 75 ante.
5 Ibid s 7(1)(a).
6 For the meaning of 'earlier right' see para 77 ante.
7 Trade Marks Act 1994 s 7(1)(b). The specified condition is set out in s 5(4): see para 77 ante.
8 For the meaning of 'honest concurrent use' see para 81 post.
9 Trade Marks Act 1994 s 7(1).
10 As to opposition proceedings see para 384 et seq post.
11 Trade Marks Act 1994 s 7(2). There is no provision corresponding to the Trade Marks Act 1994 s 7 in EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks. It is arguable that the Trade Marks Act 1994 s 7(2) is inconsistent with EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) art 4 on the basis that it restricts opposition to the proprietor of the earlier trade mark or earlier right in question, assuming that this is not required by the Directive. The Trade Marks Act 1994 s 7(2) does not apply where the applicant did not overcome an objection based on the earlier trade mark or earlier right relied upon by the opponent during examination by reliance upon honest concurrent use: *Professional Cycle Manufacturing Ltd's Trade Mark Application* (O/238/05), Appointed Person.

Nothing in the Trade Marks Act 1994 s 7 affects: (1) the refusal of registration on the grounds mentioned in s 3 (absolute grounds for refusal: see para 58 et seq ante); or (2) the making of an application for a declaration of invalidity under s 47(2) (application on relative grounds where no consent to registration: see para 119 post): s 7(4). Section 7 does not apply when there is an order in force under s 8 (see para 82 post): s 7(5).

As to appeals from any decision of the registrar see ss 76, 77 (both as amended); and para 405 et seq post.
12 *Road Tech Computer Systems Ltd v Unison Software (UK) Ltd* [1996] FSR 805. The fact that there has been honest concurrent use may still be relevant. It will be a factor to consider in assessing any of the following: (1) the likelihood of confusion (see the Trade Marks Act 1994 s 5(2); and para 72 ante); (2) whether the applicant has 'due cause' within the meaning of s 5(3) (as amended) (see para 75 ante); (3) whether the applicant's use of the mark will take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark (see para 76 ante); and (4) whether there is a likelihood of passing off (see s 5(4); and paras 77 ante, 304 et seq post).

81. Meaning of 'honest concurrent use'. 'Honest concurrent use' means such use in the United Kingdom[1], by the applicant or with his consent, as would formerly have amounted to honest concurrent use for the purposes of the Trade Marks Act 1938[2].

For the purposes of that Act, in the case of honest concurrent use, or of other special circumstances which in the opinion of the court or the Registrar of Trade Marks made it proper to do so, the court or the registrar might permit the registration by more than one proprietor, in respect of the same goods, the same description of goods or goods and services or descriptions of goods and services which were associated with each other, of marks that were identical or nearly resembled each other, subject to such conditions and limitations, if any, as the court or the registrar might think it right to impose[3]. Under the doctrine of concurrent use[4], given the honesty of the concurrent use, the following factors were relevant, namely: (1) the degree of likelihood of

confusion; (2) the extent, period and area within which there had been concurrent use; (3) whether there had been confusion in fact; (4) the degree of hardship of refusing registration compared with the hardship the other way if it was allowed; and (5) the public interest[5].

Each case had to be considered on its own merits, and the likelihood that real hardship might be caused by a refusal of the application might offset the possibility of confusion. The concurrent use had to be honest, and knowledge of the registration or use of another mark might be significant[6]. The public interest was important, but was not conclusive where the concurrent use was in good faith and registration was just[7]. A difficulty arose where the proprietor of an earlier registered mark had not actually used it, but the applicant had made extensive honest use of it, since there was then no use by the proprietor of the mark with which the applicant's use could be compared.

1 For the meaning of 'United Kingdom' see para 3 note 2 ante.
2 Trade Marks Act 1994 s 7(3).
3 Trade Marks Act 1938 s 12(2) (repealed). As to the registrar see para 17 ante.
4 As to the origins of this doctrine see *General Electric Co v General Electric Co Ltd* [1972] 2 All ER 507, [1972] 1 WLR 729, [1973] RPC 297, HL.
5 See *Re Alexander Pirie & Sons Ltd's Application* (1933) 50 RPC 147 at 159, HL, per Lord Tomlin. See also *Re Peddie's Applications* (1943) 61 RPC 31; *BALI Trade Mark (No 2)* [1978] FSR 193 at 220–221; *STAR Trade Mark* [1990] RPC 522. As to the likelihood of confusion see para 74 ante.
6 See the cases cited in note 5 supra.
7 *BULER Trade Mark* [1975] RPC 275.

82. Power to require that relative grounds be raised in opposition proceedings. The Secretary of State[1] may by order provide that in any case a trade mark[2] must not be refused registration on relative grounds for refusal[3] unless objection on that ground is raised in opposition proceedings[4] by the proprietor of the earlier trade mark[5] or other earlier right[6]. The order may make such consequential provision as appears to the Secretary of State appropriate[7]:

(1) with respect to the carrying out by the registrar[8] of searches of earlier trade marks[9]; and
(2) as to the persons by whom an application for a declaration of invalidity may be made[10] on relative grounds[11].

Such an order must be made by statutory instrument; and no order may be made unless a draft of it has been laid before and approved by a resolution of each House of Parliament[12]. Such an order may contain such transitional provisions as appear to the Secretary of State to be appropriate[13].

1 As to the Secretary of State see para 14 ante.
2 For the meaning of 'trade mark' see para 57 ante.
3 Ie a ground mentioned in the Trade Marks Act 1994 s 5 (as amended): see paras 71–78 ante.
4 As to opposition proceedings see para 384 et seq post.
5 For the meaning of 'earlier trade mark' see para 70 ante.
6 Trade Marks Act 1994 s 8(1). As from 1 October 2007 the Trade Marks (Relative Grounds) Order 2007, SI 2007/1976, makes such provision: arts 1, 2 (not yet in force).

It is arguable that the Trade Marks Act 1994 s 8(1) and the Trade Marks (Relative Grounds) Order 2007, SI 2007/1976, are inconsistent with EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 4 on the basis that they restrict opposition to the proprietor of the earlier trade mark or earlier right in question, assuming that this is not required by the Directive. For the meaning of 'earlier right' see para 77 ante. The Trade Marks Act 1994 s 7 (see paras 80–81 ante) does not apply where there is an order in force under s 8: s 7(5).

7 Ibid s 8(2).
8 As to the registrar see para 17 ante.
9 Trade Marks Act 1994 s 8(2)(a). An order making such provision as is mentioned in s 8(2)(a) may direct that so much of s 37 (see para 372 post) as requires a search to be carried out is to cease to have effect: s 8(3). As from 1 October 2007 the Trade Marks (Relative Grounds) Order 2007, SI 2007/1976, arts 3,

4 (not yet in force) make such provision: see para 372 note 5 post. As to searches of earlier trade marks in relation to the examination of applications see the Trade Marks Act 1994 s 37(1), (2); and para 372 post.

10 Ie made on the grounds specified in ibid s 47(2): see para 119 post.

11 Ibid s 8(2)(b). An order making such provision as is mentioned in s 8(2)(b) may provide that so much of s 47(3) (see paras 396, 458 post) as provides that any person may make an application for a declaration of invalidity is to have effect subject to the provisions of the order: s 8(4). As from 1 October 2007 the Trade Marks (Relative Grounds) Order 2007, SI 2007/1976, art 5 (not yet in force) will make such provision: see para 119 notes 5, 8 post.

12 Ibid s 8(5). No such draft of an order making such provision as is mentioned in s 8(1) (see the text to notes 1–6 supra) may be laid before Parliament until after the end of the period of ten years beginning with the day on which applications for Community trade marks may first be filed in pursuance of the Community Trade Mark Regulation: Trade Marks Act 1994 s 8(5). For the meaning of 'Community trade mark' see para 206 post. The 'Community Trade Mark Regulation' means EC Council Regulation 40/94 of 20 December 1993 (OJ L11, 14.1.94, p 1), on the Community trade mark (see para 176 post): Trade Marks Act 1994 s 51.

13 Ibid s 8(6).

(iv) Registration subject to Disclaimer or Limitation

83. In general. An applicant for registration[1] of a trade mark[2], or the proprietor of a registered trade mark[3], may:

(1) disclaim any right to the exclusive use[4] of any specified element of the trade mark[5]; or

(2) agree that the rights conferred by the registration are to be subject to a specified territorial or other limitation[6].

Where the registration of a trade mark is subject to a disclaimer or limitation, the rights conferred by a registered trade mark[7] are restricted accordingly[8]. Disclaimers and limitations can similarly be made in relation to an international trade mark for which protection is sought or has been obtained in the United Kingdom[9].

Where the applicant for registration of a trade mark or the proprietor by notice in writing sent to the registrar disclaims any right to the exclusive use of any specified element of the trade mark or agrees that the rights conferred by the registrations are to be subject to a specified territorial or other limitation, the registrar must make the appropriate entry in the register and must publish[10] such disclaimer or limitation[11]. In the case of international trade marks, such entries are placed in the supplemental register[12].

There is no longer an explicit power in the registrar to call for a disclaimer or limitation[13]. Nevertheless it seems clear that, in determining the distinctiveness or otherwise of a mark, the registrar is able to take account of any offered disclaimer or limitation[14]. It is not certain whether or not the tribunal in proceedings for revocation or a declaration of invalidity of a registration could, as a matter of discretion, order that the relief be granted unless the proprietor made an appropriate disclaimer or limitation[15].

1 For the meaning of 'registration' see para 19 note 2 ante.

2 For the meaning of 'trade mark' see para 57 ante.

3 As to the meaning of 'registered trade mark' see para 127 post.

4 For the meaning of 'use' see para 60 note 8 ante.

5 Trade Marks Act 1994 s 13(1)(a).

6 Ibid s 13(1)(b). It is not possible to amend the trade mark itself under s 13(1)(b) since such amendments are only permissible under s 39 (see paras 374–375 post): *Nestlé SA's Trade Mark Application* [2004] EWCA Civ 1008, [2005] RPC 77, sub nom *Société des Produits Nestlé SA v Mars UK Ltd* [2005] IP & T 551 (in which it was held that it was not permissible to specify the colour and size of a shape mark under the Trade Marks Act s 13 or s 39). It may, however, be possible to specify more precisely a colour which has not been sufficiently clearly identified: *Ty Nant Spring Water Ltd's Trade Mark Application* [2000] RPC 55, [1999] ETMR 981, Appointed Person; *Robert McBride Ltd's Trade Mark Application* [2003] RPC 343, Appointed Person; and see para 366 note 6 post.

It is not permissible to limit the goods or services in respect of which the trade mark is registered by reference to the absence of a particular characteristic: see para 363 note 7 post.

7 Ie the rights conferred by the Trade Marks Act 1994 s 9: see paras 84–85 post.

8 Ibid s 13(1); and see para 98 post. There is no reference to disclaimers or limitations in EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks.

Provision must be made by rules as to the publication and entry in the register of a disclaimer or limitation: Trade Marks Act 1994 s 13(2). In exercise of the power so conferred the Secretary of State has made the Trade Marks Rules 2000, SI 2000/136, r 24: see the text to notes 10–11 infra. As to the Secretary of State see para 14 ante. As to the making of rules generally see para 15 ante. As to the register see para 19 ante.

A disclaimer or limitation entered on the former register in relation to an existing registered mark immediately before 31 October 1994 had to be transferred to the new register and has effect as if entered on the register in pursuance of the Trade Marks Act 1994 s 13: s 105, Sch 3 para 3(2). For the meaning of 'existing registered mark' see para 4 note 2 ante. The system of conditions on registration is no longer continued: see Sch 3 para 3(1); and para 19 ante.

9 See the Trade Marks (International Registration) Order 1996, SI 1996/714, art 4(4), (5) (art 4(4) amended, and art 4(5) substituted, by SI 2002/692).

10 For the meaning of 'publish' see para 17 note 10 ante.

11 Trade Marks Rules 2000, SI 2000/136, r 24.

12 See the Trade Marks (International Registration) Order 1996, SI 1996/714, arts 4(4), 24; and para 19 ante.

13 Ie as there was under the Trade Marks Act 1938 s 17(2) (repealed).

14 See *Nestlé SA's Trade Mark Application* [2004] EWCA Civ 1008, [2005] RPC 77, sub nom *Société des Produits Nestlé SA v Mars UK Ltd* [2005] IP & T 551.

15 Under the former law a disclaimer could be ordered: *Re Trade Marks Nos 39, 759 and 247, 273, J Wigfull & Sons Ltd v J Jackson & Son Ltd* [1916] 1 Ch 213, 33 RPC 97.

(4) INFRINGEMENT OF REGISTERED TRADE MARKS AND PROTECTED INTERNATIONAL TRADE MARKS (UK)

(i) Nature of Infringement

84. Rights conferred by registered trade mark. The proprietor of a registered trade mark[1] has exclusive rights in the trade mark which are infringed by use[2] of the trade mark in the United Kingdom[3] without his consent[4]. The same rights are enjoyed by the holder of a protected international trade mark (UK)[5].

1 As to the meaning of 'registered trade mark' see para 127 post.

2 For the meaning of 'use' for the purposes of infringement see para 89 post; and for the meaning of 'use' generally see para 60 note 8 ante.

3 Use of a trade mark abroad may 'spill over' into the United Kingdom (e g where a person advertises on the internet or in publications which have international circulations: see *Euromarket Designs Inc v Peters* [2000] IP & T 1290, [2001] FSR 288). The test as to whether the use is use within the jurisdiction is whether a reasonable trader would regard the use concerned as in the course of trade in relation to goods or services within the jurisdiction: *Euromarket Designs Inc v Peters* supra; *800-FLOWERS Trade Mark Application, 1–800 Flowers Inc v Phonenames Ltd* [2000] FSR 697, [2000] ETMR 369 (affd [2001] EWCA Civ 721, [2001] IP & T 839, [2002] FSR 191). See also *Beautimatic International Ltd v Mitchell International Pharmaceuticals Ltd* [1999] IP & T 59, [2000] FSR 267 (manufacture of packaging in the United Kingdom for use on goods overseas). For the meaning of 'United Kingdom' see para 3 note 2 ante.

4 Trade Marks Act 1994 s 9(1) (part of which is derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 5(1), first sentence). The acts amounting to infringement, if done without the consent of the proprietor, are specified in the Trade Marks Act 1994 s 10 (as amended) (see para 86 et seq post): s 9(1). References in the Trade Marks Act 1994 to infringement of a registered trade mark are to any such infringement of the rights of the proprietor: s 9(2).

Section 9(1) has been described as a 'chatty introduction' to the infringement provisions in s 10, adding no more than that the acts concerned must be done without consent: *British Sugar plc v James Robertson & Sons Ltd* [1996] RPC 281 at 291, [1996–97] ETMR 118 at 122 per Jacob J; and see also *Euromarket Designs Inc v Peters* [2000] IP & T 1290, [2001] FSR 288.

For the meaning of references to doing anything with or without the consent of the proprietor of a registered trade mark see further the Trade Marks Act 1994 s 28(3); and para 136 post. As to what may constitute consent see *Mastercigars Direct Ltd v Hunters & Frankau Ltd* [2007] EWCA Civ 176, [2007] RPC 565, [2007] ETMR 44.

Where the registration of a trade mark is subject to a disclaimer or limitation, the rights conferred by the Trade Marks Act 1994 s 9 are restricted accordingly: see s 13(1); and para 98 post.

The exclusive rights conferred by s 9(1) do not override another's passing off rights: *Inter Lotto (UK) Ltd v Camelot Group plc* [2003] EWCA Civ 1132, [2003] 4 All ER 575, [2004] 1 WLR 955.

The Trade Marks Act 1994 s 9 applies in relation to an existing registered mark as from 31 October 1994, subject to s 105, Sch 3 para 4(2) (see para 97 post): Sch 3 para 4(1). The old law continues to apply in relation to infringements committed before that date: Sch 3 para 4(1). For the meaning of 'existing registered mark' see para 4 note 2 ante; and for the meaning of 'the old law' see para 4 note 3 ante.

As to the registrar's power to suspend trade mark rights of an enemy or enemy subject see para 108 post.

5 Trade Marks (International Registration) Order 1996, SI 1996/714, art 4(1). For the meaning of 'protected international trade mark (UK)' see para 13 ante.

85. Date from which rights run. The rights of the proprietor of a registered trade mark[1] have effect from the date of registration, that is to say[2], the date of filing of the application for registration[3], provided that:

(1) no infringement proceedings[4] may be begun before the date on which the trade mark is in fact registered[5]; and

(2) no offence of the unauthorised use of a trade mark etc in relation to goods[6] is committed by anything done before the date of publication of the registration[7].

1 As to the meaning of 'registered trade mark' see para 127 post. As to such rights see para 84 ante. As to the date of registration of a protected international trade mark (UK) see para 21 ante. For the meaning of 'protected international trade mark (UK)' see para 13 ante.

2 Ie in accordance with the Trade Marks Act 1994 s 40(3): see para 21 ante.

3 Ibid s 9(3). For transitional provisions see para 86 note 7 post. In relation to a protected international trade mark (UK), the rights of the proprietor have effect for the purposes of s 9 as of the date on which it is to be treated as registered under the Trade Marks (International Registration) Order 1996, SI 1996/714, art 12 (as amended) (see para 13 ante) or art 21 (see para 21 ante): art 4(2)(a).

4 For these purposes, 'infringement proceedings', in relation to a registered trade mark, includes proceedings under the Trade Marks Act 1994 s 16 (order for delivery up of infringing goods etc: see para 461 post): s 103(1).

5 Ibid s 9(3) proviso (a). As to procedure on application see para 352 et seq post. In the case of a protected international trade mark (UK) this is the date on which it achieves the status of being a protected mark under the Trade Marks (International Registration) Order 1996, SI 1996/714, art 12 (as amended) (see para 389 post): art 4(2)(b); and see para 13 ante.

6 Ie under the Trade Marks Act 1994 s 92: see paras 141–144 post.

7 Ibid s 9(3) proviso (b). In the case of a protected international trade mark (UK), no offence is committed by anything done before the date of publication by the registrar of the particulars of the international registration: Trade Marks (International Registration) Order 1996, SI 1996/714, art 17(3). As to the publication of the particulars see para 13 text to note 15 ante.

86. Identical sign for identical goods or services. A person infringes a registered trade mark[1] if he uses[2] in the course of trade[3] a sign[4] which is identical[5] with the trade mark in relation to goods or services which are identical[6] with those for which it is registered[7].

1 This also applies to a protected international trade mark (UK): see para 84 ante. As to the meaning of 'registered trade mark' see para 127 post. For the meaning of 'protected international trade mark (UK)' see para 13 ante.

2 For the meaning of 'use' for the purposes of infringement see para 89 post. In order to constitute infringement, the acts must be done without the consent of the proprietor: see the Trade Marks Act 1994 s 9(1); and para 84 ante. For the meaning of 'use' generally see para 60 note 8 ante.

3 Use is 'in the course of trade' when it takes place in the context of commercial activity with a view to economic advantage and not as a private matter: Case C-206/01 *Arsenal Football Club plc v Reed* [2003] Ch 454, [2002] ECR I-10273, [2003] All ER (EC) 1, ECJ. As to the meaning of 'trade' see para 60 note 4 ante.

4 In order to decide whether the sign is identical or similar to the registered trade mark, the court must first ascertain what sign the defendant is using: Case C-291/00 *LTJ Diffusion SA v Sadas Vertbaudet SA* [2003] ECR I-2799 at [49], [2003] IP & T 994 at [49] per the opinion of Jacobs AG; *Reed Executive plc v Reed Business Information Ltd* [2004] EWCA Civ 159, [2004] RPC 767, [2004] IP & T 1049. As to the meaning of 'sign' see para 57 note 1 ante.

5 As to the meaning of 'identical' in this context see para 71 note 3 ante.

6 As to the meaning of 'identical' in this context see para 71 note 5 ante.

7 Trade Marks Act 1994 s 10(1) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 5(1)(a)). Cf the corresponding relative ground of refusal: see the Trade Marks Act 1994 s 5(1); and para 71 ante. This provision applies to use of the trade mark in relation to the proprietor's own goods or services, which is therefore an infringing act unless the user has a defence by virtue of other provisions of the Trade Marks Act 1994, in particular s 11(2)(b), (c) (see paras 94–95 post) and s 12 (see paras 102–103 post): Case C-63/97 *Bayerische Motorenwenke AG (BMW) v Deenik* [1999] ECR I-905, [1999] All ER (EC) 235, ECJ; *British Airways plc v Ryanair Ltd* [2001] IP & T 373, [2001] FSR 541; but cf Case C-48/05 *Adam Opel AG v Autec AG* [2007] IP & T 408, [2007] ETMR 33, [2007] All ER (D) 193 (Jan); and see *O2 Holdings Ltd v Hutchison 3G Ltd* [2006] EWCA Civ 1656, [2007] RPC 407, [2007] ETMR 19 (questions referred to the ECJ). As to the limits on the effect of a registered trade mark see para 91 et seq post; and as to the exhaustion of rights conferred by a registered trade mark see para 103 post.

The Trade Marks Act 1994 s 10 applies in relation to an existing registered mark as from 31 October 1994, subject to s 105, Sch 3 para 4(2) (see para 97 post): Sch 3 para 4(1). The old law continues to apply in relation to infringements committed before that date: Sch 3 para 4(1). For the meaning of 'existing registered mark' see para 4 note 2 ante; and for the meaning of 'the old law' see para 4 note 3 ante.

87. Identical sign for similar goods or services; similar sign for identical goods or services. A person infringes a registered trade mark[1] if he uses[2] in the course of trade[3] a sign[4] where because:

(1) the sign is identical with the trade mark and is used in relation to goods or services similar to those for which the trade mark is registered[5]; or

(2) the sign is similar to the trade mark and is used in relation to goods or services identical with or similar to those for which the trade mark is registered[6],

there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the trade mark[7].

1 This also applies to a protected international trade mark (UK): see para 84 ante. As to the meaning of 'registered trade mark' see para 127 post. For the meaning of 'protected international trade mark (UK)' see para 13 ante.

2 For the meaning of 'use' for the purposes of infringement see para 89 post. In order to constitute infringement, the acts must be done without the consent of the proprietor: see the Trade Marks Act 1994 s 9(1); and para 84 ante. For the meaning of 'use' generally see para 60 note 8 ante.

3 As to the meaning of 'in the course of trade' see para 86 note 3 ante.

4 As to the sign see para 86 note 4 ante. As to the meaning of 'sign' see para 57 note 1 ante.

5 Trade Marks Act 1994 s 10(2)(a).

6 Ibid s 10(2)(b). For the meaning of 'similar goods and services' see para 73 ante.

7 Trade Marks Act 1994 s 10(2) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 5(1)(b)). Cf the corresponding relative ground for refusal of registration: see the Trade Marks Act 1994 s 5(2); and para 72 ante. As to the likelihood of confusion see para 74 ante. As to the limits on the effect of a registered trade mark see para 91 et seq post; and as to the exhaustion of rights conferred by a registered trade mark see para 103 post. For transitional provisions see para 86 note 7 ante.

Actual confusion is not required for infringement, only a risk that the public will be misled: *Thomson Holidays Ltd v Norwegian Cruise Lines Ltd* [2002] EWCA Civ 1828, [2003] RPC 32, [2003] IP & T 299; *Compass Publishing BV v Compass Logistics Ltd* [2004] EWHC 520 (Ch), [2004] RPC 809, [2004] 17 LS Gaz R 32 (decided under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 9(1)(b) (see para 227 post)).

88. Identical or similar mark taking unfair advantage of, or being detrimental to, distinctive character or repute of earlier mark. A person infringes a registered trade mark[1] if he uses[2] in the course of trade[3] in relation to goods or services a sign[4] which is identical with or similar to the trade mark where the trade

mark has a reputation in the United Kingdom[5] and the use of the sign, being without due cause[6], takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark[7].

1 This also applies to a protected international trade mark (UK): see para 84 ante. As to the meaning of 'registered trade mark' see para 127 post. For the meaning of 'protected international trade mark (UK)' see para 13 ante.
2 For the meaning of 'use' for the purposes of infringement see para 89 post. In order to constitute infringement, the acts must be done without the consent of the proprietor: see the Trade Marks Act 1994 s 9(1); and para 84 ante. For the meaning of 'use' generally see para 60 note 8 ante.
3 As to the meaning of 'in the course of trade' see para 86 note 3 ante.
4 As to the sign see para 86 note 4 ante. As to the meaning of 'sign' see para 57 note 1 ante.
5 For the meaning of 'United Kingdom' see para 3 note 2 ante.
6 As to the concept of use without due cause see para 75 note 9 ante.
7 Trade Marks Act 1994 s 10(3) (amended by the Trade Marks (Proof of Use, etc) Regulations 2004, SI 2004/946, regs 3, 7(2)) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 5(2)). The amendment made by the Trade Marks (Proof of Use, etc) Regulations 2004, SI 2004/946, gives effect to the rulings of the European Court of Justice that EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) art 5(2) is to be interpreted as applying where the sign is used in relation to identical or similar goods or services to those in respect of which the earlier trade mark is registered as well as in relation to goods or services which are not similar (Case C-292/00 *Davidoff et Cie SA v Gofkid Ltd* [2003] ECR I-389, [2003] All ER (EC) 1029, ECJ; Case C-408/01 *Adidas-Salomon AG v Fitnessworld Trading Ltd* [2004] Ch 120, [2003] ECR I-12537, ECJ). Cf the corresponding relative ground of refusal: see the Trade Marks Act 1994 s 5(3) (as amended); and para 75 ante. As to the tests of unfair advantage and detriment see para 76 ante. As to the limits on the effect of a registered trade mark see para 91 et seq post; and as to the exhaustion of rights conferred by a registered trade mark see para 103 post. For transitional provisions see para 86 note 7 ante.

89. Meaning of 'use' for the purposes of infringement. For the purposes of the statutory provisions relating to the infringement of a registered trade mark[1], a person uses a sign[2] if, in particular, he:

(1) affixes it to goods or the packaging thereof[3];
(2) offers or exposes goods for sale, puts them on the market or stocks them for those purposes under the sign, or offers or supplies services under the sign[4];
(3) imports[5] or exports goods under the sign[6]; or
(4) uses[7] the sign on business[8] papers[9] or in advertising[10].

1 Ie for the purposes of the Trade Marks Act 1994 s 10 (as amended) (see paras 86–88 ante, 90 post): s 10(4) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 5(3)). The provisions also apply to infringement of a protected international trade mark (UK): see para 84 ante. As to the meaning of 'registered trade mark' see para 127 post. For the meaning of 'protected international trade mark (UK)' see para 13 ante.
2 Infringing use for these purposes must be trade mark use, that is to say, use which jeopardises or is liable to jeopardise one of the functions of the trade mark: *R v Johnstone* [2003] UKHL 28, [2003] 3 All ER 884, [2003] 1 WLR 1736; Case C-63/97 *Bayerische Motorenwenke AG v Deenik* [1999] ECR I-905, [1999] 1 All ER (EC) 235, ECJ; Case C-206/01 *Arsenal Football Club plc v Reed* [2003] Ch 454, [2002] ECR I-10273, [2003] All ER (EC) 1, ECJ; Case C-245/02 *Anheuser-Busch Inc v Budejovicky Budvar NP* [2004] ECR I-10989, [2007] IP & T 348, [2004] All ER (D) 271 (Nov), ECJ; Case C-48/05 *Adam Opel AG v Autec AG* [2007] IP & T 408, [2007] ETMR 33, [2007] All ER (D) 193 (Jan), ECJ. In certain circumstances purely descriptive use is not trade mark use: Case C-2/00 *Hölterhoff v Freiesleben* [2002] ECR I-4187, [2002] All ER (EC) 665, ECJ; and see *O2 Holdings Ltd v Hutchison 3G Ltd* [2006] EWCA Civ 1656, [2007] RPC 407, [2007] ETMR 19 (questions referred to the ECJ). Use purely as a company or trade name is not trade mark use: *Anheuser-Busch Inc v Budejovicky Budvar NP* supra.

Furthermore, the infringing use must be use in relation to particular goods or services: see *British Sugar plc v James Robertson & Sons Ltd* [1996] RPC 281 at 293, [1996–97] ETMR 118 at 124 per Jacob J, explaining *Bravado Merchandising Services Ltd v Mainstream Publishing Ltd* [1996] FSR 205, 1996 SLT 597, Ct of Sess; *Trebor Bassett Ltd v The Football Association* [1997] FSR 211 (trade mark on jersey of footballers not used in relation to photographs of those footballers); *Avnet Ltd v Isoact Ltd* [1998] FSR 16. If the use of the sign is infringing use, it is not a defence that the defendant has distinguished his goods or services from those of the registered proprietor by something outside the sign itself; extraneous matter and circumstances are to be disregarded: *Origin Natural Resources Inc v Origin Clothing Ltd* [1995] FSR 280 at

284 per Jacob J, corrected in *British Sugar plc v James Robertson & Sons Ltd* [1996] RPC 281 at 293 per Jacob J; *Premier Brands UK Ltd v Typhoon Europe Ltd* [2000] FSR 767, [2000] IP & T 218; *Aktiebolaget Volvo v Heritage (Leicester) Ltd* [2000] FSR 253, [1999] All ER (D) 478; *Decon Laboratories Ltd v Fred Baker Scientific Ltd* [2001] RPC 293, (2001) Times, 28 February; *BP Amoco plc v Kelly* [2001] IP & T 787, [2002] FSR 87, NI CA; *Julius Sämann Ltd v Tetrosyl Ltd* [2006] EWHC 529 (Ch), [2006] ETMR 75, [2006] All ER (D) 274 (Mar); Case IZR 304/01 *Rolex Internet Auction* [2005] ETMR 25; cf *O2 Holdings Ltd v Hutchison 3G Ltd* [2006] EWCA Civ 1656, [2007] RPC 407, [2007] ETMR 19 (questions referred to the ECJ).

It is not clear whether 'invisible' use of a trade mark, in particular in internet metatags, counts as use for this purpose: see *Reed Executive plc v Reed Business Information Ltd* [2004] EWCA Civ 159, [2004] RPC 767, [2004] IP & T 1049; cf *Road Tech Computer Systems Ltd v Mandata (Management and Data Services) Ltd* [2000] IP & T 1029.

3 Trade Marks Act 1994 s 10(4)(a). The sign must be affixed to the goods in the United Kingdom to amount to an infringing use; it is not an infringement to order, manufacture or export packaging bearing the sign for the purposes of affixing it to the goods overseas: *Beautimatic International Ltd v Mitchell International Pharmaceuticals Ltd* [1999] IP & T 59, [2000] FSR 267.

4 Trade Marks Act 1994 s 10(4)(b). Offering and putting on the market include the offering and sale of goods bearing a trade mark and having the customs status of non-Community goods, when the offering and/or sale is effected while the goods are placed under the customs external transit procedure or the customs warehousing procedure if the offering or sale necessarily entails putting the goods on the market in the Community: Case C-405/03 *Class International BV v Colgate-Palmolive Co* [2006] Ch 154, sub nom *Class International BV v Unilever NV* [2005] ECR I-8735, ECJ.

A mark may be used notwithstanding that it is not visible to the consumer until after the sale (e g where the goods are sold over the internet); the obliteration of the mark before delivery does not mean that the mark has not been used: *Kabushiki Kaisha Sony Computer Entertainment v Nuplayer Ltd* [2005] EWHC 1522 (Ch), [2006] FSR 9, [2005] All ER (D) 188 (Jul).

5 Mere entry of goods into the Community under the external transit procedure or the customs warehousing procedure is not sufficient to amount to importation so as to make this an infringement if the goods have not already been placed on the market in the Community by the trade mark proprietor or with his consent: Case C-405/03 *Class International BV v Colgate-Palmolive Co* [2006] Ch 154, sub nom *Class International BV v Unilever NV* [2005] ECR I-8735, ECJ. See also Case C-281/05 *Montex Holdings Ltd v Diesel SpA* [2007] IP & T 387, 2006 All ER (D) 105 (Nov), ECJ.

6 Trade Marks Act 1994 s 10(4)(c).

7 For the meaning of 'use' see para 60 note 8 ante. Since, by virtue of ibid s 103(2), use of a sign includes use otherwise than by means of a graphic representation, oral use of a trade mark may amount to infringement, reversing the position under the Trade Marks Act 1938 under which only visual use of a trade mark was capable of amounting to infringement.

8 For the meaning of 'business' see para 32 note 3 ante.

9 See *Beautimatic International Ltd v Mitchell International Pharmaceuticals Ltd* [1999] IP & T 59, [2000] FSR 267 (use on invoices).

10 Trade Marks Act 1994 s 10(4)(d). As to the limits on the effect of a registered trade mark see para 91 et seq post; and as to the exhaustion of rights conferred by a registered trade mark see para 103 post. For transitional provisions see para 86 note 7 ante.

90. Application of mark to material for labelling or packaging. A person who applies a registered trade mark[1] to material intended to be used for labelling or packaging goods, as a business[2] paper, or for advertising goods or services, is to be treated as a party to any use[3] of the material which infringes the registered trade mark if, when he applied the mark, he knew or had reason to believe that the application of the mark was not duly authorised by the proprietor or a licensee[4].

1 This also applies to a protected international trade mark (UK): see para 84 ante. As to the meaning of 'registered trade mark' see para 127 post. For the meaning of 'protected international trade mark (UK)' see para 13 ante.

2 For the meaning of 'business' see para 32 note 3 ante.

3 For the meaning of 'use' for the purposes of infringement see para 89 ante. In order to constitute infringement, the acts must be done without the consent of the proprietor: see the Trade Marks Act 1994 s 9(1); and para 84 ante. For the meaning of 'use' generally see para 60 note 8 ante.

4 Trade Marks Act 1994 s 10(5). Cf the more restricted liability of printers etc under the common law in passing off: see *Paterson Zochonis & Co Ltd v Merfarken Packaging Ltd* [1986] 3 All ER 522, [1983] FSR 273, CA (where a printer was not liable for the passing off achieved by his customer notwithstanding the

suspicious circumstances in which printing was commissioned). As to knowing or having reason to believe see *LA Gear Inc v Hi-Tec Sports plc* [1992] FSR 121, CA (which deals with the concept in the context of the Copyright, Designs and Patents Act 1988: see COPYRIGHT, DESIGN RIGHT AND RELATED RIGHTS vol 9(2) (2006 Reissue) para 334); *ZYX Music GmbH v King* [1997] 2 All ER 129, [1997] EMLR 319, CA. As to the granting of licences see paras 136–137 post. As to the rights of an exclusive licensee see the Trade Marks Act 1994 s 31(1), (2); and para 419 post. As to the limits on the effect of a registered trade mark see para 91 et seq post; and as to the exhaustion of rights conferred by a registered trade mark see para 103 post. For transitional provisions see para 86 note 7 ante.

Section 10(5) applies in relation to an authorised user of a registered collective mark or a registered certification mark as in relation to a licensee of a trade mark: see ss 49(2), 50(2), Sch 1 para 11(a), Sch 2 para 13(a); and paras 162, 173 post.

(ii) Limits on Effects of Registered Trade Marks

91. Use for identifying goods or services of the proprietor or licensee. Nothing in the statutory provisions relating to infringement of registered trade marks[1] is to be construed as preventing the use[2] of a registered trade mark by any person for the purpose of identifying goods or services as those of the proprietor or a licensee[3]; but any such use otherwise than in accordance with honest practices in industrial or commercial matters[4] is to be treated as infringing the registered trade mark if the use without due cause[5] takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark[6].

1 Ie the Trade Marks Act 1994 s 10(1)–(5) (s 10(3) as amended): see paras 86–90 ante. The same provisions apply to infringement of a protected international trade mark (UK): see para 84 ante. As to the meaning of 'registered trade mark' see para 127 post. For the meaning of 'protected international trade mark (UK)' see para 13 ante.

2 For the meaning of 'use' for the purposes of infringement see para 89 ante. For the meaning of 'use' generally see para 60 note 8 ante.

3 As to the granting of licences see paras 136–137 post. As to the rights of an exclusive licensee see the Trade Marks Act 1994 s 31(1), (2); and para 419 post.

4 As to the meaning of 'honest practices' see para 96 post.

5 As to the concept of use without due cause see para 75 note 9 ante.

6 Trade Marks Act 1994 s 10(6). This provision is not derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks. It has been suggested that it implements art 5(5) of the Directive, but art 5(5) permits member states to confer an additional right on trade mark proprietors to the rights conferred by art 5(1)–(4), not to provide additional defences to those provided by arts 6 and 7: see Case C-23/01 *Robelco NV v Robelco Groep NV* [2002] ECR I-10913, [2002] All ER (D) 311 (Nov), ECJ. It is arguable that the Trade Marks Act 1994 s 10(6) is incompatible with the Directive since the European Court of Justice has ruled that arts 5–7 form a complete code and it is not open to national laws to provide other defences: Case C-355/96 *Silhouette International Schmied GmbH & Co KG v Hartlauer Handelsgesellschaft mbH* [1999] Ch 77, [1998] ECR I-4799, ECJ; Cases C-414/99 to C-416/99 *Zino Davidoff SA v A & G Imports Ltd* [2002] Ch 109, [2001] ECR I-8691, ECJ; Case C-244/00 *Van Doren + Q GmbH v Lifestyle sports + sportswear Handelgesellschaft mbH* [2003] ECR I-3051, [2004] All ER (EC) 912, ECJ; Case C-16/03 *Peak Holding AB v Axolin-Elinor AB* [2005] Ch 261, [2004] ECR I-11313, ECJ; *British Airways plc v Ryanair Ltd* [2001] IP & T 373, [2001] FSR 541; but see *Levi Strauss & Co v Tesco Stores Ltd* [2002] EWHC 1625 (Ch), [2003] RPC 319, [2003] IP & T 117 (the Trade Marks Act 1994 s 10(6) is not inconsistent if interpreted in the same way as s 11(2)(b) (see para 94 post)). For a discussion of the origins of this provision, and its defects, see *Barclays Bank plc v RBS Advanta* [1996] RPC 307 at 312–314, [1997] ETMR 199 at 204–206 per Laddie J. It has been said that it is a pointless provision which should be repealed: *O2 Holdings Ltd v Hutchison 3G Ltd* [2006] EWCA Civ 1656 at [56], [2007] RPC 407 at [56], [2007] ETMR 19 at [56] per Jacob J.

So far as use of the trade mark in relation to the proprietor's own goods is concerned, the Trade Marks Act 1994 s 10(6) is probably unnecessary since such use is protected by s 12(1): see paras 102–103 post. It appears that s 12(1) should also be interpreted as applying to services. For the goods to be the proprietor's own goods it is not enough that they have been manufactured to his specification; they must have been adopted by him: *Primark Stores Ltd v Lollypop Clothing Ltd* [2001] FSR 637, [2000] All ER (D) 2099. Similarly, the goods will no longer be the proprietor's own goods if their condition has been changed: *PAG Ltd v Hawk-Woods Ltd* [2002] FSR 723, [2001] All ER (D) 252 (Oct).

The primary objective of the Trade Marks Act 1994 s 10(6) is to allow comparative advertising provided that it is honest: see *Barclays Bank plc v RBS Advanta* supra at 312–313, 315, and at 204–205, 207–208 per Laddie J; *Vodafone Group plc v Orange Personal Communications Services Ltd* [1997] FSR 34, [1997] EMLR 84; *Cable & Wireless plc v British Telecommunications plc* [1998] FSR 383; *Emaco Ltd and Aktiebolaget Electrolux v Dyson Appliances Ltd* [1999] ETMR 903, (1999) Times, 8 February; *British Airways plc v Ryanair Ltd* supra. However, honest use of a registered trade mark for comparative advertising is also permitted by the Trade Marks Act 1994 s 11(2)(b) (see para 94 post): *O2 Holdings Ltd v Hutchison 3G Ltd* supra. In any event comparative advertising must now comply with EEC Council Directive 84/450 (OJ L250, 10.9.84, p 17) relating to the approximation of the laws, regulations and administrative provisions of the member states concerning misleading advertising, art 3a (added by EEC Parliament and Council Directive 97/55 (OJ L290, 6.10.97, p 18) art 1(4)). Use of a trade mark (or possibly a sign confusingly similar thereto) in comparative advertising which complies with EEC Council Directive 84/450 (OJ L250, 10.9.84, p 17) art 3a does not infringe, while use of a trade mark (or possibly a sign confusingly similar thereto) in comparative advertising which does not comply with art 3a does infringe: Case C-44/01 *Pippig Augenoptik GmbH v Hartlauer Handelgesellschaft mbH* [2003] ECR I-3095, [2004] All ER (EC) 1156, ECJ; *O2 Holdings Ltd v Hutchison 3G Ltd* supra.

For transitional provisions see para 86 note 7 ante.

92. Use of another registered trade mark. A registered trade mark[1] is not infringed by the use[2] of another registered trade mark in relation to goods or services for which the latter is registered[3]. Nor is it infringed by the use of a protected international trade mark (UK) in relation to goods or services within the scope of the protection conferred by that mark in the United Kingdom[4].

The defence relates only to use for which the defendant's mark is registered or protected[5]. A defendant may claim that the mark complained of could be validly registered and seek a stay of the action pending determination of his application for registration[6].

1 This also applies to a protected international trade mark (UK): see para 84 ante. As to the meaning of 'registered trade mark' see para 127 post. For the meaning of 'protected international trade mark (UK)' see para 13 ante.

2 For the meaning of 'use' see para 60 note 8 ante.

3 Trade Marks Act 1994 s 11(1). This provision is not derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, and it is arguable that it is incompatible with the Directive since the European Court of Justice has ruled that arts 5–7 form a complete code and it is not open to national laws to provide other defences: Case C-355/96 *Silhouette International Schmied GmbH & Co KG v Hartlauer Handelsgesellschaft mbH* [1999] Ch 77, [1998] ECR I-4799, ECJ; Cases C-414/99 to C-416/99 *Zino Davidoff SA v A & G Imports Ltd* [2002] Ch 109, [2001] ECR I-8691, ECJ; Case C-244/00 *Van Doren + Q GmbH v Lifestyle sports + sportswear Handelgesellschaft mbH* [2003] ECR I-3051, [2004] All ER (EC) 912, ECJ; Case C-16/03 *Peak Holding AB v Axolin-Elinor AB* [2005] Ch 261, [2004] ECR I-11313, ECJ. EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark contains no such provision, indeed art 106(1) implies the opposite. See *Intel Corpn Inc v CPM United Kingdom Ltd* [2007] EWCA Civ 431 at [6], [2007] All ER (D) 218 (May) at [6] per Jacob LJ.

The Trade Marks Act 1994 s 11(1) corresponds in general effect, though not in language, to the Trade Marks Act 1938 s 4(4) (repealed). See, however, the Trade Marks Act 1994 s 47(6) (effect of declaration of invalidity of registration); and para 112 post. Thus, if a defence of use of a registered trade mark is raised, it can be countered by a claim for a declaration that that mark is invalid.

Section 11 applies in relation to an existing registered mark as from 31 October 1994, subject to s 105, Sch 3 para 4(2) (see para 97 post): Sch 3 para 4(1). The old law continues to apply in relation to infringements committed before that date: Sch 3 para 4(1). For the meaning of 'existing registered mark' see para 4 note 2 ante; and for the meaning of 'the old law' see para 4 note 3 ante.

It would seem that, as under the Trade Marks Act 1938, the defendant's use must be of the mark as registered, not some variant: see *Eli Lilly & Co Ltd v Chelsea Drug Chemical Co Ltd* [1966] RPC 14.

4 Trade Marks (International Registration) Order 1996, SI 1996/714, art 4(3). As to the scope of such protection see para 13 ante.

5 Ie only to goods and services falling within the specification for which the mark is registered, not to similar goods or services.

6 See para 423 post.

93. Use of own name or address. A registered trade mark[1] is not infringed by the use[2] by a person[3] of his own name[4] or address[5], provided the use is in accordance with honest practices in industrial or commercial matters[6].

1 This also applies to a protected international trade mark (UK): see para 84 ante. As to the meaning of 'registered trade mark' see para 127 post. For the meaning of 'protected international trade mark (UK)' see para 13 ante.

2 For the meaning of 'use' see para 60 note 8 ante.

3 The 'own name' defence applies to corporations as well as natural persons: Case C-245/02 *Anheuser-Busch Inc v Budejovicky Budvar NP* [2004] ECR I-10989, [2007] IP & T 348, [2004] All ER (D) 271 (Nov), ECJ; *Scandecor Development AB v Scandecor Marketing AB* [2001] UKHL 21, [2001] IP & T 676, [2002] FSR 122; *Reed Executive plc v Reed Business Information Ltd* [2004] EWCA Civ 159, [2004] RPC 767, [2004] IP & T 1049.

4 A person's 'own name' is the name that he is known by, so that it is not an infringement to use a name by which a person is commonly known: *Scandecor Development AB v Scandecor Marketing AB* [1998] FSR 500 at 521 per Lloyd J; revsd on other grounds [1999] FSR 26, CA; on appeal [2001] UKHL 21, [2001] IP & T 676, [2002] FSR 122 (questions referred to European Court of Justice but case settled prior to ruling). See also *Mercury Communications Ltd v Mercury Interactive (UK) Ltd* [1995] FSR 850 at 860–862 per Laddie J (a case under the Trade Marks Act 1938 s 8 (repealed)). Most commonly, this principle entitles companies to drop suffixes such as 'limited', 'plc' and so on (*Reed Executive plc v Reed Business Information Ltd* [2004] EWCA Civ 159, [2004] RPC 767, [2004] IP & T 1049; *Euromarket Designs Inc v Peters and Crate & Barrel Ltd* [2000] IP & T 1290, [2001] FSR 288; *International Business Machines Corpn v Web-Sphere Ltd* [2004] EWHC 529 (Ch), [2004] All ER (D) 328 (Mar), sub nom *WEBSPHERE Trade Mark* [2004] FSR 39); but further abbreviations are not protected (*Premier Luggage and Bags Ltd v Premier Co (UK) Ltd* [2002] EWCA Civ 387, [2003] FSR 796).

5 Trade Marks Act 1994 s 11(2)(a) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 6(1)(a)). This provision extends to use of the name as a trade mark: *Reed Executive plc v Reed Business Information Ltd* [2004] EWCA Civ 159, [2004] RPC 767, [2004] IP & T 1049. For transitional provisions see para 92 note 3 ante.

6 Trade Marks Act 1994 s 11(2) proviso (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) art 6(1) proviso). For the meaning of 'honest practices' see para 96 post.

94. Use of descriptions. A registered trade mark[1] is not infringed by the use[2] of indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of services, or other characteristics of goods or services[3], provided the use is in accordance with honest practices in industrial or commercial matters[4].

1 This also applies to a protected international trade mark (UK): see para 84 ante. As to the meaning of 'registered trade mark' see para 127 post. For the meaning of 'protected international trade mark (UK)' see para 13 ante.

2 For the meaning of 'use' see para 60 note 8 ante.

3 Trade Marks Act 1994 s 11(2)(b) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 6(1)(b)). At least in some circumstances, it is sufficient for this provision to apply that the indication has descriptive significance even if it also has trade mark significance: Case C-100/02 *Gerolsteiner Brunnen GmbH & Co v Putsch GmbH* [2004] ECR I-691, [2004] RPC 761, ECJ (indication of geographical origin used as trade mark); *Bravado Merchandising Services Ltd v Mainstream Publishing (Edinburgh) Ltd* [1996] FSR 205, 1996 SLT 597, Ct of Sess (use of the name of a pop group in the title of a book about that group); *Reed Executive plc v Reed Business Information Ltd* [2004] EWCA Civ 159, [2004] RPC 767, [2004] IP & T 1049 (an 'own name' case). If, on the other hand, the sign complained of is being used primarily as a trade mark for the defendant's goods or services rather than as a description it seems that this provision does not apply: Joined Cases C-108/97 and C-109/97 *Windsurfing Chiemsee Produktions- und Vertriebs GmbH v Boots- und Segelzubehör Walter Huber* [2000] Ch 523, [1999] ECR I-2779, [1999] ETMR 585, ECJ; *British Sugar plc v James Robertson & Sons Ltd* [1996] RPC 281, [1996–97] ETMR 118; *Philips Electronics BV v Remington Consumer Products Ltd* [1998] RPC 283 (affd [1999] RPC 809, [1999] All ER (D) 465, CA; referred to ECJ sub nom C-299/99 *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* [2003] Ch 159, [2002] ECR I-5475, ECJ); *Beautimatic International Ltd v Mitchell International Pharmaceuticals Ltd* [1999] IP & T 59, [2000] FSR 267; *The European Ltd v The Economist Newspapers Ltd* [1996] FSR 431 at 446 per Rattee J (on appeal [1998] FSR 283 at 291–292, [1998]

ETMR 307 at 316, CA, per Millet LJ); *D Green & Co (Stoke Newington) Ltd v Regalzone Ltd* [2001] EWCA Civ 639, [2001] IP & T 1071, [2002] ETMR 22; *PAG Ltd v Hawk-Woods Ltd* [2002] FSR 723, [2001] All ER (D) 252 (Oct).

Honest use of a registered trade mark for comparative advertising is permitted by the Trade Marks Act 1994 s 11(2)(b): *O2 Holdings Ltd v Hutchison 3G Ltd* [2006] EWCA Civ 1656, [2007] RPC 407, [2007] ETMR 19.

In certain circumstances, purely descriptive use of a trade mark does not constitute infringing use at all and therefore it is not necessary to invoke this defence: Case C-2/00 *Hölterhoff v Freiesleben* [2002] ECR I-4187, [2002] All ER (EC) 665, ECJ; and see para 89 ante. Affixing a sign identical to a trade mark registered in respect of vehicles to scale models of that make of vehicle does not constitute use of an indication concerning the characteristics of such models: Case C-48/05 *Adam Opel AG v Autec AG* [2007] IP & T 408, [2007] ETMR 33, [2007] All ER (D) 193 (Jan), ECJ.

As to the registration of marks consisting exclusively of indications etc see the Trade Marks Act 1994 s 3(1); and paras 59–60 ante.

For transitional provisions see para 92 note 3 ante.

4 Ibid s 11(2) proviso (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) art 6(1) proviso). For the meaning of 'honest practices' see para 96 post.

95. Use necessary to indicate intended purpose, particularly accessories and spares. A registered trade mark[1] is not infringed by the use[2] of the trade mark where it is necessary[3] to indicate the intended purpose of a product or service (in particular, as accessories or spare parts)[4], provided the use is in accordance with honest practices in industrial or commercial matters[5].

1 This also applies to a protected international trade mark (UK): see para 84 ante. As to the meaning of 'registered trade mark' see para 127 post. For the meaning of 'protected international trade mark (UK)' see para 13 ante.

2 For the meaning of 'use' see para 60 note 8 ante.

3 In order to be necessary, the use must in practice constitute the only means of providing the public with comprehensible and complete information on the intended purpose in order to preserve the undistorted system of competition in the market for that product: Case C-228/03 *Gillette Co v LA-Laboratories Ltd Oy* [2005] All ER (EC) 940, [2005] IP & T 1003, ECJ. See also *Philips Electronics BV v Remington Consumer Products Ltd* [1999] RPC 809, [1999] All ER (D) 465, CA (referred to ECJ sub nom C-299/99 *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* [2003] Ch 159, [2002] ECR I-5475, ECJ); *PAG Ltd v Hawk-Woods Ltd* [2002] FSR 723, [2001] All ER (D) 252 (Oct).

4 Trade Marks Act 1994 s 11(2)(c) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 6(1)(c)). The defence is not limited to accessories or spare parts: Case C-228/03 *Gillette Co v LA-Laboratories Ltd Oy* [2005] All ER (EC) 940, [2005] IP & T 1003, ECJ. For transitional provisions see para 92 note 3 ante.

5 Trade Marks Act 1994 s 11(2) proviso (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) art 6(1) proviso). For the meaning of 'honest practices' see para 96 post. Thus a registered trade mark cannot be used to prevent another from using the mark for the purpose of informing the public that he carries out, or is a specialist, in the repair and maintenance of goods put on the market under that mark by the proprietor; unless the mark is used in a way that may create an impression that there is a commercial connection between that person and the proprietor (e g that he is part of the proprietor's approved distribution network): Case C-63/97 *Bayerische Motorenwenke AG v Deenik* [1999] ECR I-905, [1999] 1 All ER (EC) 235, ECJ; *Aktiebolaget Volvo v Heritage (Leicester) Ltd* [2000] FSR 253, [1999] All ER (D) 478 (manner of use of mark calculated to cause confusion and therefore not protected).

96. Honest practices in industrial and commercial matters. Several of the statutory exemptions[1] from infringement[2] of a registered trade mark[3] are subject to the proviso that the use of the mark complained of must be 'in accordance with honest practices in industrial and commercial matters.' It is established that this is an objective test which constitutes in substance the expression of a duty to act fairly in relation to the legitimate interests of the trade mark proprietor[4]. The court must carry out an overall assessment of all the relevant circumstances, and in particular assess whether the defendant might be regarded as competing unfairly with the proprietor of the trade mark[5].

Relevant factors in an 'own name' case include: the extent to which use of the defendant's name is understood by the public or a section of it as indicating a link between the defendant's goods and the trade mark proprietor or a person authorised to use the trade mark; the extent to which the defendant ought to have been aware of this; and whether the trade mark enjoys a certain reputation from which the defendant may profit in selling his goods[6].

Relevant factors in an 'intended purpose' case include: the overall presentation of the products marketed by the defendant, particularly the circumstances in which the trade mark is displayed in that presentation; the circumstances in which a distinction is made between the trade mark and the mark or sign of the defendant; the effort made by the defendant to ensure that customers distinguish its products from those of the trade mark proprietor; and whether the products marketed by the defendant have been represented as having the same quality as, or equivalent properties to, those of the trade mark proprietor[7].

Use of a trade mark will not be in accordance with honest practices if, for example[8]:

(1) it is done in such a manner as to give the impression that there is a commercial connection between the third party and the trade mark owner[9];

(2) it takes unfair advantage of the distinctive character or repute of the trade mark[10];

(3) it entails the discrediting or denigration of the trade mark[11]; or

(4) the third party presents its goods as imitations or replicas of the products bearing the trade mark.

However, the mere fact that there exists a likelihood of aural confusion between an indication of geographical origin and a registered trade mark is insufficient to conclude that use of that indication in the course of trade is not in accordance with honest practices[12].

1 Ie the Trade Marks Act 1994 s 10(6) (use for identifying goods or services of the proprietor: see para 91 ante), s 11(2)(a) (use of own name or address: see para 93 ante), s 11(2)(b) (use of specified descriptions: see para 94 ante), s 11(2)(c) (use necessary to indicate intended purpose: see para 95 ante). The concept of honest practices in industrial and commercial matters is also incorporated into several of the defences to infringement of the Olympics association right (see para 492 et seq post): see the Olympic Symbol etc (Protection) Act 1995 s 4; and para 494 post.

2 As to the meaning of 'infringement' see para 84 note 4 ante.

3 The same provisions apply to infringement of a protected international trade mark (UK): see para 84 ante. As to the meaning of 'registered trade mark' see para 127 post. For the meaning of 'protected international trade mark (UK)' see para 13 ante.

4 Case C-63/97 *Bayerische Motorenwerke AG v Deenik* [1999] ECR I-905, [1999] 1 All ER (EC) 235, ECJ; Case C-100/02 *Gerolsteiner Brunnen GmbH & Co v Putsch GmbH* [2004] ECR I-691, [2004] RPC 761, ECJ; Case C-245/02 *Anheuser-Busch Inc v Budejovicky Budvar NP* [2004] ECR I-10989, [2007] IP & T 348, [2004] All ER (D) 271 (Nov), ECJ; Case C-228/03 *Gillette Co v LA-Laboratories Ltd Oy* [2005] All ER (EC) 940, [2005] IP & T 1003, ECJ.

5 Case C-100/02 *Gerolsteiner Brunnen GmbH & Co v Putsch GmbH* [2004] ECR I-691, [2004] RPC 761, ECJ. Thus it appears that use which amounts to passing off will generally not be in accordance with honest practices: *Asprey & Garrard Ltd v WRA (Guns) Ltd* [2001] EWCA Civ 1499, [2002] IP & T 38; *Reed Executive plc v Reed Business Information Ltd* [2004] EWCA Civ 159, [2004] RPC 767, [2004] IP & T 1049. See, however, the text and note 12 infra.

6 Case C-245/02 *Anheuser-Busch Inc v Budejovicky Budvar NP* [2004] ECR I-10989, [2007] IP & T 348, [2004] All ER (D) 271 (Nov), ECJ.

7 Case C-228/03 *Gillette Co v LA-Laboratories Ltd Oy* [2005] All ER (EC) 940, [2005] IP & T 1003, ECJ.

8 Case C-228/03 *Gillette Co v LA-Laboratories Ltd Oy* [2005] All ER (EC) 940 at [49], [2005] IP & T 1003 at [49], ECJ. These conditions are based on EEC Council Directive 84/450 (OJ L250, 10.9.84, p 17) relating to the approximation of the laws, regulations and administrative provisions of the member states concerning misleading advertising, art 3a(1)(d)–(h) (added by EEC Parliament and Council Directive 97/55 (OJ L290, 6.10.97, p 18), art 1(4)): see *L'Oréal SA v Bellure NV* [2006] EWHC 2355 (Ch), [2007] RPC 328, [2007] ETMR 1. Earlier English cases on honest practices in the context of comparative advertising must now be viewed with some caution: see para 91 note 6 ante.

9 Case C-63/97 *Bayersiche Motorenwerke AG v Deenik* [1999] ECR I-905, [1999] 1 All ER (EC) 235, ECJ; *Aktiebolaget Volvo v Heritage (Leicester) Ltd* [2000] FSR 253, [1999] All ER (D) 478.

10 *Tesco Stores Ltd v Elogicom Ltd* [2006] EWHC 403 (Ch), [2007] FSR 83; *L'Oréal SA v Bellure NV* [2006] EWHC 2355 (Ch), [2007] RPC 328, [2007] ETMR 1. As to the concept of taking unfair advantage of the distinctive character or repute of a trade mark see para 76 ante.

11 It is not clear whether, and if so how, this test differs from that of causing detriment to the distinctive character or repute of the trade mark (as to which see para 76 ante). The advertisement complained of in *British Airways plc v Ryanair Ltd* [2001] IP & T 373, [2001] FSR 541 is an example of what might be regarded as denigration.

12 Case C-100/02 *Gerolsteiner Brunnen GmbH & Co v Putsch GmbH* [2004] ECR I-691, [2004] RPC 761, ECJ. It appears that the amount of confusion that can be tolerated before the defence is lost is a question of degree: *Reed Executive plc v Reed Business Information Ltd* [2004] EWCA Civ 159, [2004] RPC 767, [2004] IP & T 1049.

97. Prior use; use lawful under the old law. A registered trade mark[1] is not infringed by the use[2] in the course of trade[3] in a particular locality of an earlier right[4] which applies only in that locality[5].

It is not an infringement of an existing registered mark or a registered trade mark of which the distinctive elements are the same or substantially the same as those of an existing registered mark and which is registered for the same goods or services to continue on and after 31 October 1994 any use[6] which did not amount to infringement of the existing registered mark under the old law[7].

1 This also applies to a protected international trade mark (UK): see para 84 ante. As to the meaning of 'registered trade mark' see para 127 post. For the meaning of 'protected international trade mark (UK)' see para 13 ante.

2 For the meaning of 'use' see para 60 note 8 ante.

3 As to the meaning of 'trade' see para 60 note 4 ante.

4 For these purposes, an 'earlier right' means an unregistered trade mark or other sign continuously used in relation to goods or services by a person or a predecessor in title of his from a date prior to whichever is the earlier of: (1) the use of the first-mentioned trade mark in relation to those goods or services by the proprietor or a predecessor in title of his; or (2) the registration of the first-mentioned trade mark in respect of those goods or services in the name of the proprietor or a predecessor in title of his, and an earlier right is to be regarded as applying in a locality if, or to the extent that, its use in that locality is protected by virtue of any rule of law (in particular, the law of passing off): Trade Marks Act 1994 s 11(3). As to passing off see para 304 et seq post.

5 Trade Marks Act 1994 s 11(3) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 6(2)). What amounts to a 'particular locality' for this purpose is somewhat uncertain, in particular whether it could compass the whole of the United Kingdom or the whole of England and Wales: see *Compass Publishing BV v Compass Logistics Ltd* [2004] EWHC 520 (Ch), [2004] RPC 809, [2004] 17 LS Gaz R 32 (where a broad view was taken of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 107 and hence a narrow view of art 8(4) (the equivalent provisions of the Regulation)); but compare Decision 2149/2000 *McCann-Erickson Advertising Ltd's Application* [2001] ETMR 52, OHIM Opposition Division (where a broader view was taken of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 8(4)). The latter decision and other OHIM decisions to similar effect were not cited in *Compass Publishing BV v Compass Logistics Ltd* supra. For transitional provisions see para 92 note 3 ante.

6 The use referred to in the text is use which would be regarded commercially as continued use: *Northern & Shell plc v Condé Nast & National Magazine Distributors Ltd* [1995] RPC 117.

7 Trade Marks Act 1994 s 105, Sch 3 para 4(2). This could be important eg where a competitor of the proprietor of a trade mark uses the same mark in relation to goods and services which are similar to, but do not fall within, the goods or services in respect of which a mark is registered. Such use could not amount to infringement of a registered trade mark under the Trade Marks Act 1938 but could, in the absence of the provisions of the Trade Marks Act 1994 Sch 3 para 4(2), amount to infringement of a registered trade mark under that Act: see paras 87–88 ante.

For the meaning of 'the old law' see para 4 note 3 ante.

98. Acts within scope of a disclaimer or limitation. Where the registration of a trade mark[1] is subject to a disclaimer or limitation[2], the rights conferred by a registered

trade mark[3] are restricted accordingly[4]. Disclaimers and limitations apply in the same way to protected international trade marks (UK)[5].

1 For the meaning of 'registration' see para 19 note 2 ante. For the meaning of 'trade mark' see para 57 ante.

2 As to registration subject to disclaimer or limitation see para 83 ante.

3 As to the meaning of 'registered trade mark' see para 127 post.

4 Trade Marks Act 1994 s 13(1). There is no reference to disclaimers or limitations in EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks.

Where a trade mark is subject to a limitation, the mark cannot be infringed by use of a sign outside the field so limited: *Phones4U Ltd v Phone4u.co.uk Internet Ltd* [2006] EWCA Civ 244, [2007] RPC 83 (mark limited as to colour not infringed by sign in different colour); and see also *Nestlé SA's Trade Mark Application* [2004] EWCA Civ 1008, [2005] RPC 77, sub nom *Société des Produits Nestlé SA v Mars UK Ltd* [2005] IP & T 551. A claim, such as a claim to a particular colour or combination of colours, is not a limitation: *L'Oréal SA v Bellure NV* [2006] EWHC 2355 (Ch), [2007] RPC 328, [2007] ETMR 1.

A contention by the proprietor that a word, which was disclaimed on its own, was the essential feature of the trade mark would lead to the very monopoly which he disclaimed, and will not therefore be accepted: *The European Ltd v The Economist Newspapers Ltd* [1998] FSR 283, [1998] ETMR 307, CA.

Nothing in this provision affects the proprietor's rights in passing off: see the Trade Marks Act 1994 s 2(2); and para 416 post.

5 Trade Marks (International Registration) Order 1996, SI 1996/714, art 4(5) (substituted by SI 2002/692). See para 83 ante.

99. Statutory acquiescence. Where the proprietor of an earlier trade mark[1] or other earlier right[2] has acquiesced[3] for a continuous period of five years in the use[4] of a registered trade mark[5] in the United Kingdom[6], being aware of that use, there ceases to be any entitlement on the basis of that earlier trade mark or other right:

(1) to apply for a declaration that the registration of the later trade mark is invalid; or

(2) to oppose the use of the later trade mark in relation to the goods or services in relation to which it has been so used,

unless the registration of the later trade mark was applied for in bad faith[7].

Where the above provisions apply, the proprietor of the later trade mark is not entitled to oppose the use of the earlier trade mark or, as the case may be, the exploitation of the earlier right, notwithstanding that the earlier trade mark or right may no longer be invoked against his later trade mark[8].

These provisions apply in the same way if the earlier trade mark, or the later trade mark, or both, are protected international trade marks (UK) rather than United Kingdom registered trade marks[9].

1 For the meaning of 'earlier trade mark' see para 70 ante.

2 For the meaning of 'earlier right' see para 77 ante.

3 It is not clear where, in the scale commencing with merely standing by with knowledge to some form of positive inducement, the word 'acquiesce' comes. Given the context of the use of the word in EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, it is unlikely that it would be interpreted in the technical sense given to it by English case law.

4 For the meaning of 'use' see para 60 note 8 ante.

5 As to the meaning of 'registered trade mark' see para 127 post. In order for the Trade Marks Act 1994 s 48 to apply the later trade mark must have actually been on the register for five years (*Sunrider Corpn (t/a Sunrider International) v Vitasoy International Holdings Ltd* [2007] EWHC 37 (Ch), (2007) Times, 27 February); cf the position under EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 53(2) (see para 233 note 9 post).

6 For the meaning of 'United Kingdom' see para 3 note 2 ante.

7 Trade Marks Act 1994 s 48(1) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) art 9(1), (2)). As to trade mark registrations applied for in bad faith see para 69 ante.

8 Trade Marks Act 1994 s 48(2) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) art 9(3)). It is not clear whether this would prevent a complaint based on passing off having regard to the Trade Marks Act 1994 s 2(2) (see para 416 post), although such a complaint might be barred by common law or equitable acquiescence.

9 Trade Marks (International Registration) Order 1996, SI 1996/714, art 14. For the meaning of 'protected international trade mark (UK)' see para 13 ante.

100. Consent, acquiescence and delay. A claimant's right of action for the infringement of a trade mark may become barred by consent, acquiescence or inordinate delay[1]. Clearly, consent is a bar to an action[2]. Where there has been an express terminable licence, consent may be withdrawn[3]. A gratuitous licence will normally be revocable upon reasonable notice[4]. Acquiescence may bar a claim where the proprietor has in some way allowed or encouraged the infringer to assume that no objection will be taken to the acts in question so that the subsequent enforcement of the right would be unconscionable[5]. Mere delay on the claimant's part, even with knowledge of the defendant's activities, does not amount to acquiescence[6]; but inordinate delay may give rise to a defence if other factors are present[7]. Delay may also affect a claimant's right to damages[8] or delivery up[9] or other remedies[10].

1 As to acquiescence and delay generally see EQUITY vol 16(2) (Reissue) para 909 et seq; INJUNCTIONS vol 24 (Reissue) paras 843–844.

2 This is in any event explicit: see the Trade Marks Act 1994 s 9(1); and para 84 ante.

3 See e g *Bostitch Trade Mark* [1963] RPC 183.

4 *Edwardes v Cotton* (1902) 19 TLR 34 (a copyright case); *Hart v Hyman* (1916) MacG Cop Cas (1911–16) 301 (a copyright case).

5 The extent to which acquiescence under English common law co-exists with the new statutory acquiescence (see para 99 ante) is not clear. For the common law see *Habib Bank Ltd v Habib Bank AG Zurich* [1981] 2 All ER 650, [1981] 1 WLR 1265, [1982] RPC 1, CA. In judging acquiescence, regard must be had to the date when the facts came to the claimant's knowledge: *Barlow and Jones v Johnson, Jabez & Co* (1890) 7 RPC 395, CA; *Re Rowland's Trade Mark, Rowland v Mitchell* [1897] 1 Ch 71, 14 RPC 37, CA; *GH Gledhill & Sons Ltd v British Perforated Toilet Paper Co* (1911) 28 RPC 429 at 451. See also *Lee v Haley* (1869) 5 Ch App 155.

6 *Farmers Build Ltd v Carier Bulk Materials Handling Ltd* [1999] RPC 461, [2000] IP & T 49, CA (a design right case); *Jones v Stones* [1999] 1 WLR 1739, 78 P & CR 293, CA; *Re Loftus, Green v Gaul* [2006] EWCA Civ 1124, [2006] 4 All ER 1110, [2007] 1 WLR 591.

7 In *HP Bulmer Ltd and Showerings Ltd v J Bollinger SA and Champagne Lanson Père et Fils* [1978] RPC 79, CA, 20 years' delay did not suffice for a defence; but in *Vine Products Ltd v Mackenzie & Co Ltd* [1969] RPC 1, 100 years sufficed. In *Cluett Peabody & Co Inc v McIntyre Hogg Marsh & Co Ltd* [1958] RPC 335, the plaintiff was estopped by reason of laches, acquiescence and delays over a period of about 40 years. Cf *Electrolux Ltd v Electrix Ltd* (1954) 71 RPC 23, CA (where a delay of ten years in starting proceedings did not amount to acquiescence).

8 See LIMITATION OF ACTIONS vol 28 (Reissue) para 815 et seq.

9 See the Trade Marks Act 1994 s 18; and para 462 post.

10 Eg the claimant's right to an account: see paras 442, 444 post. As to injunctions see para 437 et seq post.

101. Effect of fraudulent trading or misrepresentation by the claimant. Neither law nor equity assists a wholly fraudulent trade; both adopt the maxim 'ex turpi causa non oritur actio'[1]. Thus, if it is shown that the claimant's trade is of a fraudulent nature, he cannot succeed in any action for the use of his trade name or trade mark, or for passing off[2]. Normally, any fraudulent or deceptive use of his mark by a claimant will not only be a defence but will found an application for revocation of the registration[3]. Even where the claimant's trade is not wholly fraudulent, it seems that he is disentitled to equitable relief[4] if, in relation to the name or mark which he seeks to protect, he has been guilty of a material misrepresentation[5] calculated to mislead the public[6]. Whenever a mark is deceptive or used in a deceptive way, the modern practice is to dispute the validity of the registration, though these equitable defences would still, it seems,

continue to be available[7]. Where the claimant is a company, it is not necessarily a defence that the claimant has failed to fulfil statutory requirements relating to the use of its name[8].

1 Ie no right of action arises from a bad cause: see EQUITY vol 16(2) (Reissue) para 560.

2 *Lee v Haley* (1869) 5 Ch App 155; *Ford v Foster* (1872) 7 Ch App 611 at 631; *Newman v Pinto* (1887) 4 RPC 508, CA; *Bile Bean Manufacturing Co v Davidson* (1906) 23 RPC 725, Ct of Sess; cf *California Fig Syrup Co v Taylor's Drug Co Ltd* (1897) 14 RPC 341 at 347 (on appeal 14 RPC 564, CA). There are difficulties in determining the scope of this principle: *Inter Lotto (UK) Ltd v Camelot Group plc* [2003] EWCA Civ 1132 at [33], [2003] 4 All ER 575 at [33], [2004] RPC 186 at [33] per Carnwath LJ. In relation to passing off see also para 348 post. As to the prohibition of the registration of immoral, deceptive and illegal marks see paras 63–65 ante.

3 Ie under the Trade Marks Act 1994 s 46(1)(d): see para 116 post.

4 The practice of the former Court of Chancery was not necessarily to refuse an injunction absolutely in a case where there had been misrepresentation but to refuse it unless and until the plaintiff had established a title at law: *Pidding v How* (1837) 8 Sim 477; *Perry v Truefitt* (1842) 6 Beav 66; *Flavel v Harrison* (1853) 10 Hare 467 at 473. It has been suggested that a misrepresentation which would be a good objection to affording equitable relief may not be an answer to a common law action for damages: *Jamieson & Co v Jamieson* (1898) 15 RPC 169 at 191, CA; and see *Wolff & Son v Nopitsch* (1900) 18 RPC 27 at 32, CA (possible distinction between action to enforce property right or right given by statute and action for passing off); cf *Ford v Foster* (1872) 7 Ch App 611 at 630 (explaining *Sykes v Sykes* (1824) 3 B & C 541).

5 Under the old law a representation that an article was patented was such a misrepresentation (*Leather Cloth Co Ltd v American Leather Cloth Co Ltd* (1865) 11 HL Cas 523 at 543) if there had never been such a patent (*Flavel v Harrison* (1853) 10 Hare 467), or where the patent had expired (*Cheavin v Walker* (1877) 5 ChD 850 at 862, CA, overruling *Edelsten v Vick* (1853) 11 Hare 78). See also *Re A Boake, Roberts & Co Ltd's Trade Marks* (1909) 26 RPC 251. Where, however, 'patent' had become part of the name of the article, this rule would not apply: *Marshall v Ross* (1869) LR 8 Eq 651. See also *Gridley v Swimborne* (1888) 5 TLR 71, DC; *Cochrane v Macnish* [1896] AC 225, 13 RPC 100, PC. The same rule applied to a representation that a design (*Winser v Armstrong & Co* (1899) 16 RPC 167 at 172) or trade mark (*Lewis v Goodbody* (1892) 67 LT 194) was registered, but the use of 'Trade Mark' was not necessarily such a representation (*Sen Sen Co v Britten* [1899] 1 Ch 692, 16 RPC 137). Misrepresentations made by the plaintiff after the action was brought were not a bar to his right of action: *Siegert v Findlater* (1878) 7 ChD 801 at 811.

6 *Leather Cloth Co Ltd v American Leather Cloth Co Ltd* (1865) 11 HL Cas 523 at 542–543. Cf *Ford v Foster* (1872) 7 Ch App 611 (where a misrepresentation that the plaintiff was a patentee contained in invoices and advertisements was treated as a collateral misrepresentation not disentitling him to an injunction although affecting his right to an account). See also the cases cited in note 5 supra. For further cases where misrepresentations have been held not to affect the plaintiff's rights see *Mrs Pomeroy Ltd v Scalé* (1906) 24 RPC 177 at 192 (representation that defendant was plaintiff's business manager after defendant had ceased to be such); *Plotzker v Lucas* (1907) 24 RPC 551 at 562, Ct of Sess (misrepresentation that plaintiffs were actual manufacturers).

7 It is not clear, however, whether to permit an equitable defence to a claim for infringement in circumstances where the trade mark was not liable to revocation would be consistent with EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks.

8 *Pearks, Gunston and Tee Ltd v Thompson, Talmey & Co* (1901) 18 RPC 185, CA; *HE Randall Ltd v British and American Shoe Co* [1902] 2 Ch 354 at 357, 19 RPC 393 at 402. See COMPANIES vol 7(1) (2004 Reissue) para 462. Cf *Re Albert Baker & Co's Application* [1908] 2 Ch 86 at 103, 25 RPC 513 at 524; *Re Mann's Trade Marks* (1919) 36 RPC 189.

(iii) Exhaustion of Rights and Related Defences

102. Parallel trade; general position. A topic of particular importance arises where the proprietor of a registered trade mark[1] in the United Kingdom[2], or a related party, markets goods under that trade mark, or another trade mark, in other countries: namely, in what circumstances other parties may, possibly in opposition to the wishes of the proprietor[3], acquire the proprietor's goods in one country and import them into another country (so-called 'parallel trade' or 'parallel importation'). This question can arise in the context both of importation to, and export from, the United Kingdom. Frequently there will be parallel trade mark rights in the two countries; and in current

commercial conditions this question may be complicated by the fact that in practice it is quite likely that such parallel trade mark rights will be vested in different corporate entities within a multinational group of companies[4]. A further potential complication is that the trade mark rights in one or other or both of those countries may be exploited by a local licensee or distributor, rather than by the proprietor himself[5].

The position differs markedly, depending upon whether or not the countries of export and import are within the European Economic Area ('EEA')[6]. In the case of goods imported into the United Kingdom which were marketed in another country of the EEA, or vice versa, there is a wide-ranging statutory defence against infringement provided by the Trade Marks Act 1994[7]; and in addition there are defences arising under directly applicable provisions of the EC Treaty[8]. In the case of importation of goods into the United Kingdom from a country outside the EEA importation is likely to be an infringement[9].

The export from the United Kingdom of goods placed on the market here by the proprietor of the trade mark will not in general amount to infringement of the trade mark registered in the United Kingdom, even if done without his consent or contrary to his express wishes[10], unless there exist legitimate reasons for the proprietor to oppose such export[11]. The export of goods in such circumstances may, however, result in liabilities arising from contravention of the laws of the country of importation[12].

In the context of parallel rights, the position under the law of passing off will also need to be considered[13].

1 This also applies to a protected international trade mark (UK) or a Community trade mark. For the meaning of 'protected international trade mark (UK)' see para 13 ante. As to Community trade marks see para 176 et seq post.

2 For the meaning of 'United Kingdom' see para 3 note 2 ante.

3 The proprietor may wish to prevent such cross-border trade for a variety of reasons: to maintain price differentials between national markets; to preserve good relations with distributors or retailers; or to prevent goods of differing qualities or characteristics from passing from one market to another.

4 See e g the complex company and trade mark ownership structure considered in *Revlon Inc v Cripps and Lee Ltd* [1980] FSR 85, 124 Sol Jo 184, CA.

5 The licensing of registered trade marks has in general become easier under the Trade Marks Act 1994, which explicitly countenances both non-exclusive and exclusive licences (see paras 136–137 post), as compared with the position under the Trade Marks Act 1938.

6 The EEA was created by the Agreement on the European Economic Area (Oporto, 2 May 1992; Cm 2073; OJ L1, 3.1.94, p 3) (the 'EEA Agreement'). The EEA Agreement was between the European Community and its member states and the then states of the European Free Trade Association, namely Austria, Finland, Iceland, Liechtenstein, Norway, Switzerland and Sweden, and was intended to create an area of 19 countries throughout which the 'four freedoms' of the European Community (the free movement of goods, capital, services and people) would apply. The Protocol adjusting that Agreement (Brussels, 17 March 1993 OJ L1, 3.1.94, p 572) had the effect of excluding Switzerland, which chose on 1 December 1992 not to participate, and Liechtenstein; enabled the EEA Agreement to enter into force without being ratified by those two countries; and allowed for Liechtenstein to join the EEA Agreement at a future date: see 230 HC Official Report (6th series), cols 414, 463. Austria, Finland and Sweden, who were member states of the EEA, moved on to become full members of the European Community on 1 January 1995. In the same year Liechtenstein joined the EEA. At the date at which this volume states the law the EEA thus comprises the European Community together with Norway, Iceland and Liechtenstein. The EEA Agreement was implemented in the United Kingdom by the European Economic Area Act 1993 which came into force on 5 November 1993. As to the aims and provisions of the EEA Agreement see 539 HL Official Report (5th series), col 1315 et seq.

7 See the Trade Marks Act 1994 s 12(1); and para 103 post.

8 Ie the Treaty Establishing the European Community (Rome, 25 March 1957; TS 1 (1973); Cmnd 5179). See paras 105–106 post.

9 See para 107 post.

10 Although the Trade Marks Act 1994 s 10(4)(c) (see para 89 head (3) ante) makes the export of goods under the trade mark an infringing use, that provision is subject to s 12(1) (see para 103 post). Once the goods have been placed on the market by the proprietor or with his consent within the EEA (which includes placing on the market within the United Kingdom itself), s 12(1) shields subsequent use of the

trade mark in relation to those goods from being an infringement. It is not necessary, for s 12(1) to apply, that the goods should have crossed an intra-EEA frontier, and use of the mark by export (defined to amount to use by s 10(4)(c)) appears to be shielded by s 12(1) in the same way as would be use of the mark in the course of e g a resale of the goods internally within the United Kingdom.

11 See ibid s 12(2); and para 103 post. Such legitimate reasons include in particular where the condition of the goods has been changed or impaired after they have been put on the market: see s 12(2). Whether the desire of the proprietor of the trade mark not to undermine the market in the country to which the goods are being exported, or a difference in the quality of the goods sold there under the mark, could itself amount to a 'legitimate reason' in such a context is for the courts to decide. These would plainly not amount to legitimate reasons in an intra-EEA context: see para 103 post.

12 Whether any such liability would arise would depend upon the law of the country of importation. As to whether any action could be taken in the English courts in respect of the exporter's involvement in a possible infringement of the trade mark laws of the country of importation see CONFLICT OF LAWS vol 8(3) (Reissue). In the case of passing off, as distinct from statutory trade mark infringement, a trader in England can be sued in England for exporting goods to foreign markets where the goods are calculated to be used as instruments of deception in that market, or for becoming a joint tortfeasor with persons abroad who use such goods or other materials for the purpose of passing off in foreign markets: see paras 331–332 post.

13 See para 347 post.

103. Statutory exhaustion of rights where goods marketed within the European Economic Area. A registered trade mark[1] is not infringed by the use[2] of the trade mark in relation to goods[3] which have been put on the market in the European Economic Area('EEA')[4] under that trade mark[5] by the proprietor or with his consent[6]; but this provision does not apply where there exist legitimate reasons for the proprietor to oppose further dealings in the goods, in particular, where the condition of the goods has been changed or impaired after they have been put on the market[7]. Corresponding provisions apply to Community trade marks[8].

The above provision broadly corresponds to the position established under the case law of the European Court of Justice[9] in the context of trade between member states within the European Community. However, in some respects it may provide a defence in circumstances where the provisions of the EC Treaty would not do so[10]. There are in some circumstances defences other than 'exhaustion' available under the EC Treaty[11]; and there would seem to be no reason why the introduction of the above statutory defence should curtail the ambit of the defences under the EC Treaty in circumstances to which in the past they have been held to apply.

1 This also applies to a protected international trade mark (UK): see para 84 ante. As to the meaning of 'registered trade mark' see para 127 post. For the meaning of 'protected international trade mark (UK)' see para 13 ante.

2 For the meaning of 'use' see para 60 note 8 ante.

3 Although on its face this provision only applies to goods, it is arguable that it should be interpreted as applying also to services in appropriate circumstances.

4 Importation of goods into the EEA does not amount to putting them on the market: Case C-296/00 *Prefetto Provincia di Cunea v Carbone* [2002] ECR I-4657, [2002] All ER (D) 480 (May), ECJ. Nor does offering goods for sale but not selling them; goods are put on the market in the EEA when they have been sold to an independent third party who acquires the right of disposal of the goods: Case C-16/03 *Peak Holding AB v Axolin-Elinor AB* [2005] Ch 261, [2004] ECR I-11313, ECJ. Where goods have been put on the market in the EEA, territorial restrictions on the purchaser's right to resell the goods do not preclude exhaustion of the proprietor's trade mark rights: Case C-16/03 *Peak Holding AB v Axolin-Elinor AB* supra. It is immaterial that the goods were manufactured in a non-EEA country if they have been put on the market in the EEA by the proprietor or with his consent: Case C-352/95 *Phytherion International SA v Jean Bourdon SA* [1997] ECR I-1729, [1997] FSR 936, ECJ. As to the EEA see para 102 note 6 ante.

5 Where the goods are put on the market in a country other than the United Kingdom, it is immaterial whether or not the trade mark is registered in that country; all that matters is whether the goods are put on the market by or with the consent of the proprietor of the United Kingdom registration: cf Case C-187/80 *Merck & Co Inc v Stephar BV* [1981] ECR 2063, [1982] FSR 57, ECJ (a patent case). It seems likely that this provision will apply if the goods are put on the market under a sign which is 'identical'

with the trade mark within the meaning of the Trade Marks Act 1994 s 10(1) (see paras 71 note 3, 86 ante): cf Case C-313/94 *Fratelli Graffione SNC v Ditta Fransa* [1996] ECR I-6039, [1997] 1 CMLR 925, ECJ (COTONELLE/COTTONELLE).

6 Trade Marks Act 1994 s 12(1) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 7(1)). For the meaning of references to doing anything with or without the consent of the proprietor of a registered trade mark see the Trade Marks Act 1994 s 28(3); and para 136 post.

For the purposes of s 12(1), marketing within the EEA by or with the consent of an economically-linked undertaking is deemed to be marketing by or with the consent of the proprietor: Case 9/93 *IHT Internationale Heiztechnik GmbH v Ideal Standard GmbH* [1994] ECR I-2789, [1995] FSR 59, ECJ. This principle does not apply to goods put on the market outside the EEA: *Roche Products Ltd v Kent Pharmaceuticals Ltd* [2006] EWCA Civ 1775, [2007] ETMR 27, [2006] All ER (D) 318 (Dec); and see *Mastercigars Direct Ltd v Hunters & Frankau Ltd* [2007] EWCA Civ 176, [2007] RPC 565, [2007] ETMR 44.

The Trade Marks Act 1994 s 12 applies in relation to an existing registered mark as from 31 October 1994, subject to s 105, Sch 3 para 4(2) (see para 97 ante): Sch 3 para 4(1). The old law continues to apply in relation to infringements committed before that date: Sch 3 para 4(1). For the meaning of 'existing registered mark' see para 4 note 2 ante; and for the meaning of 'the old law' see para 4 note 3 ante.

7 Ibid s 12(2) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) art 7(2)). As to what can amount to such legitimate reasons see para 104 post.

8 See EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 13(1); and para 234 post.

9 Ie under the Treaty Establishing the European Community (Rome, 25 March 1957; TS 1 (1973); Cmnd 5179) (the 'EC Treaty') arts 28–30 (formerly arts 30–36; renumbered by virtue of the Treaty of Amsterdam: see *Treaty Citation (No 2) (Note)* [1999] All ER (EC) 646, ECJ). As to the case law on free movement of goods see para 105 post.

10 Eg, unlike the defences under the EC Treaty, it appears to extend both to export from the United Kingdom to a non-EEA country (see para 102 ante) and also to purely internal transactions within the United Kingdom which involve no inter-state trade element. All that is required for the Trade Marks Act 1994 s 12(1) to operate is that the goods shall have been placed on the market within the EEA, which on the face of it includes placing them on the market within the United Kingdom.

11 See para 105 post. See eg the case where the trade mark owner uses different trade marks in the different markets and the parallel importer substitutes one mark for the other (see para 105 text and note 5 post).

104. Legitimate reasons for the proprietor to oppose further dealings in the goods. This exception to the statutory defence of exhaustion of rights under the Trade Marks Act 1994[1] is based upon[2] an exception to the rules on free movement of goods developed in the earlier case law[3] of the European Court of Justice. It was there established that the guarantee of origin provided by the presence of the trade mark means that the consumer or end user can be certain that the product has not been subject at a previous stage of marketing to interference by a third party, without the authorisation of the trade mark proprietor, in such a way as to affect the original condition of the product[4]. Accordingly, operations which interfere with or put at risk the original condition of the goods or which alter or interfere with their packaging may potentially give rise to legitimate reasons for the proprietor to oppose use of the mark on the affected goods[5].

A trade mark owner may legitimately oppose the further marketing of a pharmaceutical product where a third party has repackaged it and re-affixed the trade mark[6], unless the following five conditions are met[7]:

(1) it is established that the enforcement of the trade mark rights by the owner would contribute to the artificial partitioning of the markets between the member states[8];
(2) it is shown that the repackaging cannot adversely affect the original condition of the product inside the packaging[9];
(3) the new packaging clearly states who repackaged the product and the name of the manufacturer[10];
(4) the presentation of the repackaged product is not such as to be liable to damage

the reputation of the trade mark and of its owner; and in particular the packaging must not be defective, of poor quality or untidy; and

(5) the importer gives notice to the trade mark owner before the repackaged product is put on sale, and on demand supplies him with a specimen of the repackaged product[11].

The same conditions apply where the third party has affixed an additional external label[12].

Similar conditions apply to other types of goods[13]. Similar conditions also apply if, rather than repackaging the product, the parallel importer either removes and re-affixes or replaces labels bearing the trade mark[14].

In general, the reseller of trade marked goods must not act unfairly in relation to the legitimate interests of the trade mark owner, in particular in a way which damages the reputation of the trade mark[15]; however, the trade mark owner cannot object to the resale of his goods in a physically unaltered state merely because he objects to the 'down market' nature of the trade channels through which they are sold or the mode of advertising used in the sector of the retail trade concerned, unless it is established that, given the specific circumstances of the case, the use of the trade mark for this purpose seriously damages the reputation of the trade mark[16]. Where a trade mark is used in advertising genuine goods of the trade mark owner in a way to which he takes objection, the considerations which relate to the question of whether the trade mark owner has legitimate reasons to oppose that use are very similar to those relating to the question of whether other permitted uses of a trade mark are in accordance with honest practices in industrial and commercial matters[17].

A number of situations have been recognised by the courts in the past where the marketing of genuine goods originating from the owner of a trade mark can nonetheless give rise to an action for passing off, for example where secondhand or used goods are sold as new, or where old deteriorated goods are sold as fresh, or where outmoded or superseded goods are sold as current production. In all these situations previously recognised by the law of passing off, it is likely that the courts will hold that the proprietor of a registered trade mark has legitimate reasons for opposing use of his trade mark in relation to the goods concerned[18].

The trade mark owner is not entitled to oppose the importation and resale of his goods unaltered from the state in which they were put on the market by him in one member state, because their quality differs from that of the goods sold by him under the mark in the market of importation[19].

1 Ie the exception contained in the Trade Marks Act 1994 s 12(2) to the defence against infringement provided by s 12(1), which provisions are in turn based upon EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 7. As to this defence see para 103 ante.

2 Joined Cases C-427/93, C-429/93 and C-436/93 *Bristol-Myers Squibb v Paranova A/S* [1996] ECR I-3457, [1997] FSR 102, ECJ. In this case, the court stated that EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) art 7 reiterates the case law of the ECJ, and that it must be interpreted in the same way: see Joined Cases C-427/93, C-429/93 and C-436/93 *Bristol-Myers Squibb v Paranova A/S* supra at [31], [40].

3 Ie the rules on free movement of goods developed by the European Court of Justice under the Treaty Establishing the European Community (Rome, 25 March 1957; TS 1 (1973); Cmnd 5179) (the 'EC Treaty') arts 28–30 (formerly arts 30–36; renumbered by virtue of the Treaty of Amsterdam: see *Treaty Citation (No 2) (Note)* [1999] All ER (EC) 646, ECJ): see para 105 post.

4 Case 102/77 *F Hoffman-La Roche & Co AG v Centrafarm Vertriebsgesellschaft Pharmazeutischer Erzeugnisse mbH* [1978] ECR 1139, [1978] 3 CMLR 217, ECJ; Case 1/81 *Pfizer Inc v Eurim-Pharm GmbH* [1981] ECR 2913, [1982] 1 CMLR 406, ECJ. This function of the guarantee of origin has been reiterated by the European Court of Justice as applicable in the context of EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) art 7: see Joined Cases C-427/93, C-429/93 and C-436/93 *Bristol-Myers Squibb v Paranova A/S* [1996] ECR I-3457 at [47], [1997] FSR 102 at [47], ECJ; Case C-143/00 *Boehringer Ingelheim KG v Swingward Ltd* [2003] Ch 27 at [12], [2002] ECR I-3759 at [12], ECJ.

5 See Joined Cases C-427/93, C-429/93 and C-436/93 *Bristol-Myers Squibb v Paranova A/S* [1996] ECR I-3457, [1997] FSR 102, ECJ; Case C-379/97 *Pharmacia & Upjohn SA v Paranova A/S* [2000] Ch 571, [1999] ECR I-6927, ECJ; Case C-143/00 *Boehringer Ingelheim KG v Swingward Ltd* [2003] Ch 27, [2002] ECR I-3759, ECJ.

6 The position is the same if the parallel importer repackages the product in new external packaging which does not bear the trade mark but leaves intact the original internal packaging to which the trade mark was affixed by the proprietor (or which contains tablets or capsules to which the trade mark was affixed by the proprietor ('partial debranding'); but it appears that the position is otherwise if the parallel importer repackages the product in a manner which removes all traces of the trade mark ('complete debranding'), in which case there is no infringement: *Boehringer Ingelheim KG and Boehringer Ingelheim Pharma GmbH v Swingward Ltd* [2004] EWCA Civ 757, [2004] IP & T 1026, [2004] ETMR 65; but see note 7 infra.

7 Joined Cases C-427/93, C-429/93 and C-436/93 *Bristol-Myers Squibb v Paranova A/S* [1996] ECR I-3457 at [49], [1997] FSR 102 at [49], ECJ (restating the conditions stated in Case 102/77 *Hoffmann-La Roche v Centrafarm* [1978] ECR 1139 at [7], ECJ). The conditions have been refined in the subsequent cases of Case C-379/97 *Pharmacia & Upjohn SA (formerly Upjohn SA) v Paranova A/S* [2000] Ch 571, [1999] ECR I-6927, [1999] All ER (EC) 880, [2000] FSR 621, ECJ; Case C-143/00 *Boehringer Ingelheim KG v Swingward Ltd* [2003] Ch 27, [2002] ECR I-3759, ECJ; Case C-348/04 *Boehringer Ingelheim KG v Swingward Ltd (No 2)* [2007] All ER (D) 240 (Apr), ECJ; and see also Case E-3/02 *Paranova A/S v Merck & Co Inc* [2004] ETMR 1, EFTA Ct. The burden of proving compliance with conditions lies with the third party, but the burden with regard to conditions (2) and (4) in the text is only evidential: Case C-348/04 *Boehringer Ingelheim KG v Swingward Ltd (No 2)* supra.

8 This condition does not mean that it must be established that the trade mark owner deliberately sought to partition markets between member states: Joined Cases C-427/93, C-429/93 and C-436/93 *Bristol-Myers Squibb v Paranova A/S* [1996] ECR I-3457, [1997] FSR 102, ECJ. Instead, it means that it must be objectively necessary to replace the trade mark; the condition of necessity is satisfied if the prohibition on replacing the trade mark hinders effective access to the markets of the importing member states. By contrast it is not satisfied if replacement of the trade mark is explicable solely by the parallel importer's desire to obtain a commercial advantage: Case C-379/97 *Pharmacia & Upjohn SA (formerly Upjohn SA) v Paranova A/S* [2000] Ch 571, [1999] ECR I-6927, [1999] All ER (EC) 880, [2000] FSR 621, ECJ. Repackaging is objectively necessary if, without such repackaging, effective access to the market concerned, or a substantial part of that market, must be considered to be hindered as a result of strong resistance from a significant proportion of consumers to overstickered pharmaceutical products: Case C-143/00 *Boehringer Ingelheim KG v Swingward Ltd* [2003] Ch 27, [2002] ECR I-3759, ECJ. The condition that repackaging must be necessary is directed solely at the fact of repackaging, not the manner and style: Case C-348/04 *Boehringer Ingelheim KG v Swingward Ltd (No 2)* [2007] All ER (D) 240 (Apr), ECJ. See also Case C-433/00 *Aventis Pharma Deutschland GmbH v Kohlpharma GmbH* [2002] ECR I-7761, [2003] All ER (EC) 78, ECJ (EEC regulations precluded bundling two packs of product together; it was for the national court to decide whether that made it necessary to repackage contents of two packs into one).

9 This is the case, in particular, where the importer has merely carried out operations involving no risk of the product being affected, e g the removal of blister packs, flasks, ampoules or inhalers from their original external packaging and their replacement in new external packaging, the fixing of stickers on the inner packaging, the addition of new user information or the insertion of an extra article; but the original condition of the product must not be indirectly affected, e g by the omission of important information or the provision of inaccurate information or by the fact that an extra article inserted by the parallel importer does not comply with the method of use and doses envisaged by the manufacturer: Joined Cases C-427/93, C-429/93 and C-436/93 *Bristol-Myers Squibb v Paranova A/S* [1996] ECR I-3457, [1997] FSR 102, ECJ.

10 This information must be stated in print such that a person with normal eyesight, exercising a normal degree of attentiveness, would be in a position to understand; similarly the origin of a extra article from a source other than the trade mark owner must be indicated in such a way as to dispel any impression that the trade mark owner is responsible for it; but it is not necessary to indicate the repackaging was carried out without the authorisation of the trade mark owner: Joined Cases C-427/93, C-429/93 and C-436/93 *Bristol-Myers Squibb v Paranova A/S* [1996] ECR I-3457, [1997] FSR 102, ECJ.

11 Notice must be given by the importer, it being immaterial whether the trade mark owner is aware of the repackaging by other means; the period of notice depends on the circumstances but in general 15 working days is a reasonable infringement; if notice is not given that alone is sufficient for the importation to be an infringement: Case C-143/00 *Boehringer Ingelheim KG v Swingward Ltd* [2003] Ch 27, [2002] ECR I-3759, ECJ. Where a parallel importer has failed to give notice, every subsequent importation infringes; damages for such infringements may be claimed on the same basis as if the goods

were spurious depending on the extent of the damage to the trade mark proprietor and the principle of proportionality: Case C-348/04 *Boehringer Ingelheim KG v Swingward Ltd (No 2)* [2007] All ER (D) 240 (Apr), ECJ.

12 Case C-348/04 *Boehringer Ingelheim KG v Swingward Ltd (No 2)* [2007] All ER (D) 240 (Apr), ECJ; but cf Case C-352/95 *Phytherion International SA v Jean Bourdon SA* [1997] ECR I-1729, [1997] FSR 936, ECJ.

13 Case C-349/95 *Frits Loendersloot (t/a F Loendersloot Internationale Expeditie) v George Ballantine & Son Ltd* [1997] ECR I-6227, [1998] 1 CMLR 1015, ECJ; *Sony Computer Entertainments Inc v Tesco Stores Ltd* [2000] ETMR 102.

14 Case C-349/95 *Frits Loendersloot (t/a F Loendersloot Internationale Expeditie) v George Ballantine & Son Ltd* [1997] ECR I-6227, [1998] 1 CMLR 1015, ECJ. In such a case the person carrying out the relabelling must use the means which make parallel trade feasible while causing as little prejudice as possible to the 'specific subject matter' of the trade mark right; thus if the original labels comply with the rules on labelling in the member state of importation, but those rules require additional information to be given, relabelling is not necessary since the mere application of a sticker with the additional information will suffice: *Loendersloot (t/a F Loendersloot Internationale Expeditie) v George Ballantine & Son Ltd* supra.

15 Case C-337/95 *Parfums Christian Dior SA v Evora BV* [1997] ECR I-6013, [1998] 1 CMLR 737 at [45], ECJ.

16 Case C-337/95 *Parfums Christian Dior SA v Evora BV* [1997] ECR I-6013, [1998] 1 CMLR 737 at [46]–[47], ECJ.

17 Case C-228/03 *Gillette Co v LA-Laboratories Ltd Oy* [2005] All ER (EC) 940, [2005] IP & T 1003, ECJ. As to such permitted uses and what amounts to honest practices see paras 93–96 ante.

18 For these situations under the law of passing off see para 317 heads (1), (3)–(7) post, together with the cases cited; but not para 317 head (2) post (as to which see note 19 infra).

19 Having chosen to put goods of different qualities out in different parts of the European Community single market, the trade mark owner must then face the consequence of goods of different qualities circulating round the market: Case 58/80 *Dansk Supermarked A/S v A/S Imerco* [1981] ECR 181, [1981] 3 CMLR 590, ECJ. See also EC Commission Decision 74/432 [1974] 2 CMLR D79 (Re Advocaat Zwarte Kip).

105. Defence of free circulation of goods under the EC Treaty. Apart from the statutory defence of exhaustion of rights under the Trade Marks Act 1994[1], the case law of the European Court of Justice has established that, once goods bearing a particular trade mark have been placed on the market somewhere in the European Community with the proprietor's consent, he cannot use trade mark rights to prevent the free circulation in the single market of those goods under the trade mark applied to them[2]. This rule applies even where the quality of the goods sold by the proprietor under the trade mark differs between the national markets concerned[3]. It is legitimate for a third party to repackage or relabel the goods and to re-affix the trade mark in some circumstances[4]. Where the trade mark owner puts the same goods on the market in different member states under different trade marks, it is legitimate for the parallel importer to substitute the trade mark used in the state of importation in place of the trade mark which was applied to the goods by the trade mark owner in the country where they were placed on the market, if it is objectively necessary to replace the original trade mark in order that the product in question can be effectively marketed in that state by the parallel importer[5].

This defence has no application to cases where the same or similar trade marks are used by unconnected proprietors in different member states, notwithstanding that the existence of such national rights may result in the effective partitioning of the single market[6]. In such cases it is for the national court to apply its ordinary rules in assessing the question of confusing similarity between the marks; and the European Court of Justice cannot interfere with such findings of fact which are in the exclusive jurisdiction of the national court[7]. However, for the purposes of European Community law, different corporate entities within a group of companies are generally treated as part of a single undertaking, together with economically linked entities such as licensees. Thus the rules stated above regarding free movement of goods apply regardless of whether the trade mark rights in different member states are vested in the same corporate entity or in

economically-linked undertakings[8]. It is permissible, however, to assign trade marks in some, but not all, member states to an economically unconnected undertaking and in those member states the assigned marks may be enforceable against goods of the assignor and vice versa[9]. The former rule that trade mark rights were unenforceable in respect of the use of the same mark upon goods imported from another member state where the mark on the imported goods had a common origin with that of the proprietor has been departed from by the European Court of Justice[10].

The rules stated above apply in general to the other member countries of the European Economic Area ('EEA')[11] in the same way as to countries of the European Community[12]. Those rules do not, however, apply in the same way to countries which merely have association agreements with the European Community[13], despite the fact that the wording of the relevant association agreement may be similar or identical to the provisions of the EC Treaty mentioned above[14].

The rules stated above do not apply in relation to goods first marketed outside the European Community or the EEA[15].

1 Ie the Trade Marks Act 1994 s 12: see para 103 ante.

2 Ie applying the Treaty Establishing the European Community (Rome, 25 March 1957; TS 1 (1973); Cmnd 5179) (the 'EC Treaty') arts 28–30 (formerly arts 30–36; renumbered by virtue of the Treaty of Amsterdam: see *Treaty Citation (No 2) (Note)* [1999] All ER (EC) 646, ECJ) on the free circulation of goods, which have direct effect within member states. See eg Case 119/75 *Terrapin (Overseas) Ltd v Terranova Industrie CA Kapferer & Co* [1976] ECR 1039 at 1061, [1976] 2 CMLR 482 at 505–506, ECJ (trade mark case); Case 187/80 *Merck & Co Inc v Stephar BV* [1981] ECR 2063, [1981] 3 CMLR 463, ECJ (a patent case).

3 See para 104 note 19 ante.

4 He may need to do this eg to comply with different labelling or packaging regulations or different market expectations in the country of importation. As to the circumstances in which repackaging or relabelling and re-affixing of the trade mark may be undertaken see para 104 ante.

5 Case C-379/97 *Pharmacia & Upjohn SA (formerly Upjohn SA) v Paranova A/S* [2000] Ch 571, [1999] ECR I-6927, [1999] All ER (EC) 880, [2000] FSR 621, ECJ; see para 104 note 8 ante. This situation is outside the defence provided by the Trade Marks Act 1994 s 12 and EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 7, since those provisions only cover the further use (or re-affixing) of the same mark as that put on the goods by the trade mark owner, not the substitution of a different mark of the same owner: Case C-379/97 *Pharmacia & Upjohn SA (formerly Upjohn SA) v Paranova A/S* supra at [27]–[28]. For the statutory defence see paras 103–104 ante.

6 Case 119/75 *Terrapin (Overseas) Ltd v Terranova Industrie CA Kapferer & Co* [1976] ECR 1039 at 1061, [1976] 2 CMLR 482 at 505–506, ECJ (trade mark case).

7 Case C-317/91 *Deutsche Renault AG v Audi AG* [1993] ECR I-6227, [1995] 1 CMLR 461, ECJ. However, such national rules have been harmonised by EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) art 5 and the European Court of Justice does have jurisdiction to interpret this.

8 Case C-9/93 *IHT Internationale Heiztechnik GmbH v Ideal-Standard GmbH* [1995] FSR 59, [1994] 3 CMLR 377, ECJ.

9 Case C-9/93 *IHT Internationale Heiztechnik GmbH v Ideal-Standard GmbH* [1995] FSR 59, [1994] 3 CMLR 377, ECJ. It appears that a further reference to the European Court of Justice may be required to elucidate the dividing line between ownership of trade marks by economically-linked parties and ownership of trade marks by independent parties as a result of assignment: *Doncaster Pharmaceuticals Ltd v Bolton Pharmaceutical Co 100 Ltd* [2006] EWCA Civ 661, [2006] ETMR 65.

10 Case C-10/89 *SA CNL-Sucal NV v Hag GF AG* [1990] ECR I-3711, [1990] 3 CMLR 571, [1991] FSR 99, ECJ (overruling Case 192/73 *Van Zuylen Frères v Hag AG* [1974] ECR 731, [1974] 2 CMLR 127).

11 As to the EEA see para 102 note 6 ante.

12 The Agreement on the European Economic Area (Oporto, 2 May 1992; Cm 2073; OJ L1, 3.1.94, p 3) (the 'EEA Agreement') arts 10–13 correspond to the EC Treaty arts 28–30 (formerly arts 30–36; as renumbered: see note 2 supra). The provisions of the EEA Agreement which correspond substantially to provisions of the EC Treaty are to be interpreted in conformity with the relevant rulings of the European Court of Justice given prior to 2 May 1992: Agreement on the European Economic Area art 6.

13 Eg Switzerland.

14 Case 270/80 *Polydor Ltd v Harlequin Record Shops Ltd* [1982] ECR 329, [1982] 1 CMLR 677, ECJ (where the association agreement between the European Community and Portugal was interpreted as not giving rise to a right to parallel import, despite the similarity of its wording with that of the EC Treaty

arts 28, 30 (formerly arts 30, 36; as renumbered: see note 2 supra), having regard to the different objects and purposes of the association agreement from the EC Treaty).

15 Case 51/75 *EMI Records Ltd v CBS United Kingdom Ltd* [1976] ECR 811, [1976] 2 CMLR 235, ECJ. See para 107 post.

106. Other defences under the EC Treaty. The enforcement of trade mark rights so as to discriminate between imports from different member states may not be permissible as amounting[1] to an 'arbitrary discrimination'[2]. A deliberate decision to use different trade marks in different member states so as to achieve a partition is probably a disguised restriction on trade between member states and the enforcement of the trade mark rights would not be permitted[3]. It is not permissible to use trade mark rights as a means to achieve market sharing or partitioning of the single market[4]. It is not clear whether any of the reasoning in the earlier cases[5] survives, though it is likely that an exclusive right may not be relied upon if it is connected with an agreement or practice in restraint of competition within the European Community[6].

1 Ie within the meaning of the Treaty Establishing the European Community (Rome, 25 March 1957; TS 1 (1973); Cmnd 5179) (the 'EC Treaty') art 30 (formerly art 36; renumbered by virtue of the Treaty of Amsterdam: see *Treaty Citation (No 2) (Note)* [1999] All ER (EC) 646, ECJ).

2 Case 102/77 *Hoffmann-La Roche & Co AG v Centrafarm Vertriebsgesellschaft Pharmazeutischer Erzeugnisse mbH* [1978] ECR 1139, [1978] 3 CMLR 217, [1978] FSR 598, ECJ.

3 Case 3/78 *Centrafarm BV v American Home Products Corpn* [1978] ECR 1823, [1979] 1 CMLR 326, [1979] FSR 189, ECJ.

4 Case C-9/93 *IHT Internationale Heiztechnik GmbH v Ideal-Standard GmbH* [1995] FSR 59, [1994] 3 CMLR 377, ECJ (following the principles in Cases 56/64, 58/64 *Etablissements Consten Sarl and Grundig-Verkaufs-GmbH v EC Commission* [1966] ECR 299, [1966] CMLR 418, ECJ).

5 Ie cases based on the EC Treaty art 81 (formerly art 85; renumbered by virtue of the Treaty of Amsterdam: see *Treaty Citation (No 2) (Note)* [1999] All ER (EC) 646, ECJ). See in particular Case 40/70 *Sirena Srl v Eda Srl* [1971] ECR 69, [1971] CMLR 260, ECJ (which may perhaps be explained as a case based on some sort of continued market sharing conduct: see Case 86/75 *EMI Records Ltd v CBS Grammofon A/S* [1976] ECR 871, [1976] 2 CMLR 235, ECJ).

6 Case 144/81 *Keurkoop BV v Nancy Kean Gifts BV* [1982] ECR 2853, [1983] 2 CMLR 47, [1983] FSR 381, ECJ.

107. Parallel imports from outside the European Community or the European Economic Area. The European Court of Justice has held that the Trade Marks Directive[1] cannot be interpreted as leaving it open to the member states to provide in their domestic law for exhaustion of the rights conferred by a trade mark in respect of products put on the market in non-member countries; and that such exhaustion occurs only where the products have been put on the market[2] in the European Economic Area ('EEA')[3] by the proprietor or with his consent[4]. That consent must be to the placing on the market of the goods concerned[5], not other similar goods of the trade mark owner[6]. Consent will normally be express, but it is conceivable that it may in some cases be inferred from facts and circumstances prior to, simultaneous with, or subsequent to, the placing of the goods on the market outside the EEA which unequivocally demonstrate that the proprietor has renounced his right to oppose the placing of the goods on the market within the EEA[7]. Consent cannot be inferred from:

(1) the fact that the proprietor has not communicated to all subsequent purchasers of the goods placed on the market outside the EEA his opposition to marketing within the EEA;

(2) the fact that the goods carry no warning of a prohibition on their being placed on the market within the EEA;

(3) the fact that the proprietor has transferred the ownership of the goods bearing the trade mark without imposing any contractual restrictions and that, according to the law governing the contract, the property right transferred includes, in the

absence of such reservations, an unlimited right of resale or, at the very least, a right to market the goods subsequently within the EEA[8].

It is consistent with the Trade Marks Directive for national law to provide that it is for the party relying upon the defence of exhaustion of rights to prove the conditions for such exhaustion[9]. Where, however, the defendant succeeds in establishing that there is a real risk of partitioning of national markets if he himself bears that burden of proof, particularly where the trade mark proprietor markets his products in the EEA using an exclusive distribution system, it is for the proprietor to establish that the products were initially placed on the market outside the EEA by him or with his consent; if such evidence is adduced, it is for the defendant to prove the consent of the trade mark proprietor to subsequent marketing of the products in the EEA[10].

1 Ie EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks. As to the Trade Marks Directive see para 5 ante.

2 As to the meaning of 'put on the market' see para 103 note 4 ante.

3 As to the EEA see para 102 note 6 ante.

4 Case C-355/96 *Silhouette International Schmied GmbH & Co KG v Hartlauer Handelsgellschaft mbH* [1999] Ch 77, [1998] ECR I-4799, [1998] All ER (EC) 769, [1998] FSR 729, ECJ. Consent by an economically-linked party is not sufficient for this purpose: *Honda Motor Co Ltd v Neesam* [2006] EWHC 1051 (Ch), [2006] All ER (D) 371 (Mar); and see *Mastercigars Direct Ltd v Hunters & Frankau Ltd* [2007] EWCA Civ 176, [2007] RPC 565, [2007] ETMR 44.

5 Ie the actual parallel imported goods themselves.

6 Case C-173/98 *Sebago Inc v GB-Unic SA* [1999] ECR I-4103, [2000] Ch 558, [1999] All ER (EC) 575, ECJ.

7 Joined Cases C-414/99 to C-416/99 *Zino Davidoff SA v A & G Imports Ltd* [2002] Ch 109, [2001] ECR I-8691, ECJ. This is a high hurdle: see *Quiksilver PTY Ltd v Charles Robertson (Developments) Ltd (t/a Trago Mills)* [2004] EWHC 2010 (Ch), [2005] FSR 139; *Kabushiki Kaisha Sony Entertainment v Nuplayer Ltd* [2005] EWHC 1522 (Ch), [2006] FSR 9, [2005] All ER (D) 188 (Jul); *Hewlett-Packard Development Co LP v Expansys United Kingdom Ltd* [2005] EWHC 1495 (Ch), [2005] All ER (D) 170 (Jul); *Kabushiki Kaisha Sony Computer Entertainment v Electricbirdland Ltd* [2005] EWHC 2296 (Ch), [2005] All ER (D) 73 (Aug); *Sun Microsystems Inc v Amtec Computer Corpn Ltd* [2006] EWHC 62 (Ch), [2006] FSR 630; *Honda Motor Co Ltd v Neesam* [2006] EWHC 1051 (Ch), [2006] All ER (D) 371 (Mar); *Roche Products Ltd v Kent Pharmaceuticals Ltd* [2006] EWCA Civ 1775, [2007] ETMR 27, [2006] All ER (D) 318 (Dec); cf *Mastercigars Direct Ltd v Hunters & Frankau Ltd* [2007] EWCA Civ 176, [2007] RPC 565, [2007] ETMR 44.

8 Joined Cases C-414/99 to C-416/99 *Zino Davidoff SA v A & G Imports Ltd* [2002] Ch 109, [2001] ECR I-8691, ECJ.

9 Case C-244/00 *Van Doren + Q GmbH v Lifestyle sports + sportswear Handelgesellschaft mbH* [2003] ECR I-3051, [2004] All ER (EC) 912, ECJ.

10 Case C-244/00 *Van Doren + Q GmbH v Lifestyle sports + sportswear Handelgesellschaft mbH* [2003] ECR I-3051, [2004] All ER (EC) 912, ECJ.

(iv) Suspension of Trade Mark Rights of Enemy or Enemy Subject

108. In general. Where, on application made by a person proposing to supply goods or services of any description, it is made to appear to the registrar[1]:

(1) that it is difficult or impracticable to describe or refer to the goods or services without the use of a registered trade mark; and

(2) that the proprietor of the registered trade mark, whether alone or jointly with another, is an enemy or an enemy subject,

the registrar may make an order suspending the rights given by the registered trade mark[2]. Such an order suspends those rights as regards the use of the trade mark:

(a) by the applicant; and

(b) by any person authorised by the applicant to do, for the purposes of or in connection with the supply by the applicant of the goods or services, things which would otherwise infringe the registered trade mark,

to such extent and for such period as the registrar considers necessary to enable the applicant to render well known and established some other means of describing or referring to the goods or services in question which does not involve the use of the trade mark[3].

Where such an order has been made, no action for passing off[4] lies on the part of any person interested in the registered trade mark in respect of any use of it which by virtue of the order is not an infringement of the right conferred by it[5]. Such an order may be varied or revoked by a subsequent order made by the registrar[6].

1 As to the registrar see para 17 ante.
2 Patents, Designs, Copyright and Trade Marks (Emergency) Act 1939 s 3(1) (substituted by the Trade Marks Act 1994 s 106(1), Sch 4 para 3(1), (2)); Patents, Designs, Copyright and Trade Marks (Emergency) Act 1939 s 10(1) (amended by the Trade Marks Act 1994 Sch 4 para 3(1), (3)(d)).
3 Patents, Designs, Copyright and Trade Marks (Emergency) Act 1939 s 3(2) (substituted by the Trade Marks Act 1994 Sch 4 para 3(1), (2)); Patents, Designs, Copyright and Trade Marks (Emergency) Act 1939 s 10(1) (as amended: see note 2 supra).
4 As to passing off see para 304 et seq post.
5 Patents, Designs, Copyright and Trade Marks (Emergency) Act 1939 s 3(3) (substituted by the Trade Marks Act 1994 Sch 4 para 3(1), (2)).
6 Patents, Designs, Copyright and Trade Marks (Emergency) Act 1939 s 3(4) (substituted by the Trade Marks Act 1994 Sch 4 para 3(1), (2)); Patents, Designs, Copyright and Trade Marks (Emergency) Act 1939 s 10(1) (as amended: see note 2 supra).

(5) SURRENDER, REVOCATION, INVALIDITY, ALTERATION AND RECTIFICATION

(i) Introduction

109. Modes of extinction or modification of registered trade marks and protected international trade marks (UK). The Trade Marks Act 1994 provides a number of ways in which the rights conferred by a registered trade mark may be cancelled or varied[1]. It uses the following terminology:

(1) 'surrender' for voluntary surrender by the proprietor[2];
(2) 'revocation' for removal of a registration on grounds which have arisen since registration[3];
(3) 'declaration of invalidity' for cases where the mark ought not to have been registered originally[4];
(4) 'rectification' for corrections concerning errors or omissions from the register other than matters concerned with validity[5];
(5) 'alteration'[6]; and
(6) 'disclaimer' and 'limitation'[7].

Except where proceedings concerning the trade mark in question are pending in the court[8], when the application must be made to the court, applications for revocation, declarations of invalidity or rectification may be made either to the registrar or to the court[9]. Applications for surrender, alteration, disclaimers or limitations can only be made to the registrar[10].

These provisions also apply to protected international trade marks (UK)[11] although in some respects the terminology differs[12].

1 Ie apart from lapse for failure to pay renewal fees: see para 29 ante.
2 See paras 113, 395 post.
3 See paras 114–117, 398–399, 458 post.
4 See paras 118–120, 400, 458–459 post.
5 See paras 121, 401, 458 post.
6 See paras 122, 393 post.

7 See paras 83, 98 ante, 394 post.
8 For the meaning of 'the court' see para 349 post.
9 See the Trade Marks Act 1994 ss 46(4), 47(3), 64(2); and para 396 post. See also the Community Trade Mark Regulations 2006, SI 2006/1027, reg 3(1); and para 288 post.
10 As to surrender see ibid s 45(2); the Trade Marks Rules 2000, SI 2000/136, r 26(1); and para 113 post. As to alteration see the Trade Marks Act 1994 s 44(2); and para 122 post. As to disclaimers or limitations see s 13(2); the Trade Marks Rules 2000, SI 2000/136, r 24; and para 83 ante.
11 For the meaning of 'protected international trade mark (UK)' see para 13 ante.
12 See paras 83 ante, 114 et seq post.

110. Onus of proof; presumption of validity of original registration. Whenever a registered trade mark is under attack, then under normal principles the onus of proof will lie on the attacker[1]. In addition it is specifically provided that in all legal proceedings relating to a registered trade mark[2], including proceedings for rectification of the register, the registration[3] of a person as proprietor of a trade mark is prima facie evidence of the validity of the original registration and of any subsequent assignment or other transmission[4] of it[5].

In all legal proceedings relating to an international trade mark (UK)[6], the registration of a person as holder of an international trade mark (UK) is prima facie evidence of the validity of the original international registration and of any subsequent assignment or other transaction of it[7]. There is however no statutory presumption of the validity of its protected status in the United Kingdom[8].

1 Ie save for the exception that the onus of proof of use of a registered trade mark lies on the proprietor: see the Trade Marks Act 1994 s 100; and para 114 text and note 14 post.
2 As to the meaning of 'registered trade mark' see para 127 post.
3 For the meaning of 'registration' see para 19 note 2 ante.
4 As to assignment or other transmission of a registered trade mark see para 129 et seq post.
5 Trade Marks Act 1994 s 72.
6 For the meaning of 'international trade mark (UK)' see para 8 note 17 ante.
7 Trade Marks (International Registration) Order 1996, SI 1996/714, art 27(1). Provision is made for judicial notice to be taken of copies of entries in the international register: art 27(2). For the meaning of 'international register' see para 12 note 2 ante.
8 Ibid art 27(1) refers to the validity of only the original international registration; and the Trade Marks Act 1994 s 72 has not been applied to international trade marks by the Trade Marks (International Registration) Order 1996, SI 1996/714.

111. Absence of discretion. By contrast with the position under the Trade Marks Act 1938[1], if an applicant for revocation of a trade mark (or, it would seem, for a declaration of invalidity[2] or for rectification) establishes that there are grounds for revocation (or invalidity or rectification) of the mark in whole or in part[3], the registrar or the court[4] has no discretion to refuse the order sought even though the relevant statutory provisions[5] use the word 'may'[6].

1 See *Re Magneta Time Co Ltd's Trade Mark* (1927) 44 RPC 169; cf *Re Somerlite Ltd's Trade Mark (No 520,004), Somerlite Ltd v Brown* (1934) 51 RPC 205, CA.
2 Mandatory words are used in EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, arts 3, 4 (from which the Trade Marks Act 1994 s 47 is derived). However, see also *Associated Newspapers Ltd v Express Newspapers* [2003] EWHC 1322 (Ch), [2004] IP & T 378, [2003] FSR 909.
3 As to the grounds for revocation generally see para 114 et seq post; as to the grounds for a declaration of invalidity generally see para 118 et seq post; and as to the grounds for rectification generally see para 121 post. As to the additional grounds for revocation or invalidity of a collective mark see paras 163–164 post; and as to the additional grounds for revocation or invalidity of a certification mark see paras 174–175 post.
4 As to the registrar see para 17 ante. For the meaning of 'the court' see para 349 post.
5 The relevant statutory provisions are the Trade Marks Act 1994 s 46(1) (see para 114 post), s 47(1), (2) (see para 118 post) and s 64(1) (see para 121 post).

6 *Premier Brands UK Ltd v Typhoon Europe Ltd* [2000] IP & T 218, [2000] FSR 767; *Scandecor Development AB v Scandecor Marketing AB* [2001] UKHL 21, [2001] IP & T 676, [2002] FSR 122 (question referred to European Court of Justice for ruling but case settled before ruling given). Cf the corresponding provision in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark (the 'Community Trade Mark Regulation'): see para 238 note 2 post.

112. Effective date of revocation, declaration of invalidity or rectification. Where the registration of a trade mark is revoked to any extent[1], the rights of the proprietor are deemed to have ceased to that extent as from the date of the application for registration[2] or, if the registrar or the court[3] is satisfied that the grounds for revocation existed at an earlier date, that date[4]. Where the protection of an international trade mark (UK)[5] is revoked, the rights of the proprietor are deemed to have ceased to exist as from the date on which the revocation is recorded in the international register[6].

Where the registration of a trade mark is declared invalid to any extent[7], the registration is to that extent deemed never to have been made; but this provision does not affect transactions past and closed[8]. The same obtains when the protection of an international trade mark (UK) is declared invalid[9].

Except where the registrar or the court directs otherwise, the effect of rectification of the register[10] is that the error or omission in question is deemed never to have been made[11].

1 As to the grounds for revocation generally see para 114 et seq post; as to the additional grounds for revocation of a collective mark see para 163 post; and as to the additional grounds for revocation of a certification mark see para 174 post.
2 For the meaning of 'registration' see para 19 note 2 ante.
3 As to the registrar see para 17 ante. For the meaning of 'the court' see para 349 post.
4 Trade Marks Act 1994 s 46(6) (which has no antecedent in EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks). It is not appropriate to grant an injunction prohibiting use of an infringing sign if the trade mark has been revoked: Case C-145/05 *Levi Strauss & Co v Casucci Spa* [2007] FSR 170, [2006] ETMR 71, ECJ. If the applicant for revocation seeks to revoke the trade mark from a date earlier than the application date he must plead the date as of which revocation is sought and explicitly allege that grounds for revocation existed at that date: see para 398 note 4 post.
5 For the meaning of 'protected international trade mark (UK)' see para 13 ante.
6 Trade Marks (International Registration) Order 1996, SI 1996/714, art 13(5)(a). For the meaning of 'international register' see para 12 note 2 ante.
7 As to the grounds for a declaration of invalidity see para 118 et seq post; as to the additional grounds for invalidity of a collective mark see para 164 post; and as to the additional grounds for invalidity of a certification mark see para 175 post.
8 Trade Marks Act 1994 s 47(6) (which has no antecedent in EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1)).
9 Trade Marks (International Registration) Order 1996, SI 1996/714, art 13(5)(b).
10 As to the grounds for rectification generally see para 121 post.
11 Trade Marks Act 1994 s 64(3).

(ii) Surrender

113. In general. A registered trade mark[1] may be surrendered by the proprietor[2] in respect of some or all of the goods or services for which it is registered[3]. Surrender has effect from the date on which the registrar[4] makes and publishes the appropriate entry in the register[5].

The person in whose name an international trade mark registration stands may at any time remove protection in one or more contracting countries[6].

1 As to the meaning of 'registered trade mark' see para 127 post.
2 For the meaning of 'proprietor' see para 22 note 8 ante.
3 See the Trade Marks Act 1994 s 45; the Trade Marks Rules 2000, SI 2000/136, r 26; and para 395 post.
4 As to the registrar see para 17 ante.

5 See the Trade Marks Rules 2000, SI 2000/136, r 26(3); and para 395 post. See also *RAPIER Trade Mark* (O/170/07), Appointed Person. Surrender does not render a pending application for revocation or invalidity moot or academic: see *RAPIER Trade Mark* supra. Cf the position in proceedings before the Office for Harmonisation in the Internal Market: see para 236 text and note 5 post. If notice of surrender is given during rectification proceedings affecting proprietorship, the registrar or the court will determine those first before considering whether to accept the surrender: *Skaga AB's Trade Mark Application* (O/134/03), Trade Marks Registry.

6 Madrid Agreement Concerning the International Registration of Marks (Madrid, 14 April 1891; TS 71 (1970); Cmnd 4437), as revised at Stockholm in 1967 and as amended in 1979, art 8 (bis). As to the Madrid Agreement see para 8 ante. A declaration is filed at the office in his home country for commutation to the International Bureau of the World Intellectual Property Organisation ('WIPO'), which in turn notifies the countries where protection has been removed. As to the International Bureau see para 8 text and note 2 ante.

(iii) Revocation

114. Non-use. The registration of a trade mark[1] may[2] be revoked on either of the following grounds[3]:

(1) that within the period of five years[4] following the date of completion of the registration procedure[5] it has not been put to genuine[6] use[7] in the United Kingdom, by the proprietor or with his consent[8], in relation to the goods or services for which it is registered[9], and there are no proper reasons[10] for non-use[11];

(2) that such use has been suspended for an uninterrupted period of five years, and there are no proper reasons for non-use[12].

These grounds also apply to the revocation of protection of a protected international trade mark (UK)[13].

The registration of a trade mark may not, however, be revoked on the grounds mentioned in head (1) or head (2) above if such use as is there referred to is commenced or resumed after the expiry of the five year period and before the application for revocation is made[14]; but any such commencement or resumption of use after the expiry of the five year period but within the period of three months before the making of the application is to be disregarded unless preparations for the commencement or resumption began before the proprietor became aware that the application might be made[15].

If in any civil proceedings under the Trade Marks Act 1994 a question arises as to the use to which a registered trade mark has been put, it is for the proprietor to show what use has been made of it[16].

1 For the meaning of 'trade mark' see para 57 ante.

2 As to the absence of discretion see para 111 ante.

3 Trade Marks Act 1994 s 46(1).

4 The correct approach to calculating this period is that not less than five complete years must elapse during which the trade mark is registered but not genuinely used. It follows that the five year period cannot start until the day after the date on which the registration procedure is completed and must have ended not later than the day before the date on which the application is filed: *BSA BY R2 Trade Mark* (O/144/07), Appointed Person; Tribunal Practice Notice (TPN 1/2007).

5 The date of completion of the registration procedure must be determined in accordance with national procedural rules: Case C-246/05 *Haupl v Lidl Stiftung & Co KG* [2007] All ER (D) 140 (Jun), ECJ. In the United Kingdom this is the date on which the registrar enters the registration on the register: see the Trade Marks Act 1994 s 40; the Trade Marks Rules 2000, SI 2000/136, r 16; and para 388 post.

6 There is 'genuine use' of a trade mark where the trade mark is used in accordance with its essential function, which is to guarantee the identity of the origin of the goods or services for which it is registered, in order to create or preserve an outlet for those goods or services; genuine use does not include token use for the sole purpose of preserving the rights conferred by the mark: Case C-40/01 *Ansul BV v Ajax Brandbeveiliging BV* [2005] Ch 97, [2003] ECR I-2439, ECJ; Case C-259/02 *La Mer Technology Inc v Laboratoires Goemar SA* [2004] ECR I-1159, [2004] FSR 785, ECJ (and for the Court of Appeal decision implementing this ruling see *LABORATOIRE DE LA MER Trade Mark* [2005] EWCA

Civ 978, [2006] FSR 49). When assessing whether use of the trade mark is genuine, regard must be had to all the facts and circumstances relevant to establishing whether the commercial exploitation of the mark is real, particularly whether such use is viewed as warranted in the economic sector concerned to maintain or create a share in the market for the goods or services protected by the mark, the nature of those goods or services, the characteristics of the market and the scale and frequency of the use of the mark: Case C-40/01 *Ansul BV v Ajax Brandbeveiliging BV* supra; Case C-259/02 *La Mer Technology Inc v Laboratoires Goemar SA* supra. Classification of use of the mark as genuine use depends on consideration of the circumstances which pertain during the relevant period, but account may be taken of circumstances subsequent to that period which make it possible to better assess the extent to which the trade mark was used during that period and the real intentions of the proprietor during that period: Case C-259/02 *La Mer Technology Inc v Laboratoires Goemar SA* supra.

Genuine use of the mark entails use on the market for the goods or services protected by that mark and not just internal use by the undertaking concerned; use of the mark must therefore relate to goods or services already marketed or about to be marketed and for which preparations by the undertaking to secure customers are underway, particularly in the form of advertising campaigns: Case C-40/01 *Ansul BV v Ajax Brandbeveiliging BV* supra; Case C-259/02 *La Mer Technology Inc v Laboratoires Goemar SA* supra.

Use of the mark may in some cases be sufficient to establish genuine use even if that use is not quantitatively significant; even minimal use can therefore be sufficient to qualify as genuine; a de minimis rule cannot be laid down: Case C-259/02 *La Mer Technology Inc v Laboratoires Goemar SA* supra; Case C-416/04P *The Sunrider Corpn v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] ECR I-4237, [2006] All ER (D) 178 (May), ECJ (this case considered the question of genuine use under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 43(2), (3) (see para 282 post)). Use of the mark by a single client which imports the products for which the mark is registered can be sufficient to demonstrate that such use is genuine, if it appears that the import operation has a genuine commercial justification for the proprietor of the mark: Case C-259/02 *La Mer Technology Inc v Laboratoires Goemar SA* supra; *LABORATOIRE DE LA MER Trade Mark* supra (held importation of small quantities of product by one importer was genuine use); Case C-416/04P *The Sunrider Corpn v Office for Harmonisation in the Internal Market* supra.

In assessing whether use is genuine the territorial scope of the use is a relevant factor: Case C-416/04P *The Sunrider Corpn v Office for Harmonisation in the Internal Market* supra. Use of a trade mark on a foreign website is not sufficient to establish use in the United Kingdom: *CARTE BLEUE Trade Marks* [2002] RPC 599, Trade Marks Registry. The size of the proprietor's undertaking is also a relevant factor: *POLICE Trade Mark* [2004] RPC 693, Appointed Person.

There may be genuine use of mark even though it has been used in conjunction with other trade marks: Case T-29/04 *Castelblanch SA v Office for Harmonisation in the Internal Market* [2005] ECR II-5309, [2006] ETMR 61, CFI (this case considered the question of genuine use under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, i e art 43(2), (3) (see para 282 post)).

Use of the mark may be genuine even if the goods in respect of which it is registered are no longer available, e g if the proprietor makes use of the same mark for component parts of those goods or for goods and services directly connected with those goods: Case C-40/01 *Ansul BV v Ajax Brandbeveiliging BV* supra.

In considering case law on genuine use, care needs to be taken with decisions of the CFI on cases arising under EC Council Regulation (OJ L11, 14.1.94, p 1) art 43(2), (3) since EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark, art 1 r 22 (as substituted by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)) specifies with some precision the nature and form of the evidence that the trade mark proprietor is required to furnish in such cases: see *EXTREME Trade Mark* (O/161/07), Appointed Person; and para 282 post.

7 For these purposes (1) use of a trade mark includes use in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered; and (2) use in the United Kingdom includes affixing the trade mark to goods or to the packaging of goods in the United Kingdom solely for export purposes: Trade Marks Act 1994 s 46(2) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 10(2)). Head (1) supra involves a two stage inquiry: first, identify the differences between the mark as used and the mark as registered; and, second, assess whether they alter the distinctive character of the mark as registered, which should be assessed in the usual way through the perception of the average consumer of the goods or services in question (see para 60 note 3 ante): *Anheuser-Busch Inc v Budejovicky Budvar Narodni Podnik* [2002] EWCA Civ 1534, sub nom *BUD and BUDWEISER BUDBRÄU Trade Marks* [2003] RPC 477. Changes to non-distinctive elements of a complex mark do not alter its distinctive character: Case T-135/04 *GfK AG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] ETMR 58, [2005] All ER (D) 338 (Nov), CFI (decided under the equivalent provision of EC

Council Regulation 40/94 (OJ L11, 14.1.94, p 1) i e art 43(2), (3) (see para 282 post)); Case T-147/03 *Devinlec Developpement Innovation Leclerc SA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] IP & T 436, [2006] All ER (D) 36 (Jan), CFI (decided under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) i e art 43(2), (3) (see para 282 post)); *NIRVANA Trade Mark* (O/262/06), Appointed Person. This provision does not permit the proprietor to rely upon use of a similar mark covered by a separate registration: Case T-194/03 *Il Ponte Finanziaria SpA* v *Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] ECR II-445, CFI (decided under the equivalent provision of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) i e art 43(2), (3) (see para 282 post)); but see Case C-353/03 *Société des Produits Nestlé SA v Mars UK Ltd* [2005] ECR I-6135, [2006] All ER (EC) 348, ECJ; and *NIRVANA Trade Mark* supra. For the meaning of 'use' generally see para 60 note 8 ante; and for the meaning of 'United Kingdom' see para 3 note 2 ante.

8 It is immaterial for this purpose whether the proprietor imposes quality control on users of the mark, although this may be relevant to an objection under the Trade Marks Act 1994 s 46(1)(d) (see para 116 post): *SAFARI Trade Mark* [2002] RPC 497, Trade Marks Registry; EINSTEIN Trade Mark [2007] RPC 539, Appointed Person. Mere acquiescence by the proprietor in use by a third party does not constitute use with the proprietor's consent: *NIRVANA Trade Mark* (O/030/06), Trade Marks Registry; affd on other grounds (O/262/06), Appointed Person.

9 The trade mark is used 'in relation to' goods if it conveys to members of the public that the proprietor of the mark is in some way responsible for the quality of the goods, even if the goods are promotional items: *Premier Brands UK Ltd v Typhoon Europe Ltd* [2000] FSR 767, [2000] IP & T 218 (use of famous mark for tea on tea-towels, utensils etc); *DaimlerChrysler AG v Alavi (t/a Merc)* [2001] RPC 42, [2002] IP & T 496 (use of famous mark for cars on items of clothing). See also *ELLE Trade Marks* [1997] FSR 529, sub nom *Safeways Stores plc v Hachette Filipachi Presse* [1996–97] ETMR 552 (promotion of cosmetics in a magazine not use of name of magazine in relation to those goods); *Trebor Bassett Ltd v The Football Association* [1997] FSR 211 (mark on jerseys of footballers not used in relation to photographs of those footballers).

10 Cf the Agreement on Trade-Related Aspects of Intellectual Property (TRIPs) (1994) (Cm 2557) art 19(1), which provides that circumstances arising independently of the will of the owner of the trademark which constitute an obstacle to the use of the trademark, such as import restrictions on or other governmental requirements for goods or services protected by the trademark, are to be recognised as valid reasons for non-use. As to TRIPs generally see para 7 ante. Obstacles having a direct relationship with the trade mark which make its use impossible or unreasonable and which are independent of the will of the proprietor of the trade mark constitute proper reasons for non-use: Case C-246/05 *Haupl v Lidl Stiftung & Co KG* [2007] All ER (D) 140 (Jun), ECJ. In order to establish 'proper reasons' for non-use, it is necessary for the tribunal to be satisfied that in the absence of the suggested impediments to use there could and would have been genuine use of the trade mark during the relevant five year period: *CERNIVET Trade Mark* [2002] RPC 585, Appointed Person.

For examples of 'proper reasons' which have been accepted see *WORTH Trade Marks* [1998] RPC 875, Trade Marks Registry (revocation proceedings frustrated attempts to license the mark); *MAGIC BALL Trade Mark* [2000] RPC 439 (delays in developing a new manufacturing technique).

Factors which are or have become a normal condition of trade cannot constitute proper reasons for non-use: *Philosophy Inc v Ferretti Studio Srl* [2002] EWCA Civ 921, sub nom *PHILOSOPHY DI ALBERTA FERRETTI Trade Mark* [2003] RPC 287 (proprietor did nothing for most of five year period then encountered ordinary commercial delays in producing new product bearing mark); *INVERMONT Trade Mark* [1997] RPC 125, sub nom *Glen Catrine Bonded Warehouse Ltd's Application for Revocation* [1996–97] ETMR 56, Trade Marks Registry (difficult to introduce new brand to the relevant market); *CABANAS HABANA (Device) Trade Mark* [2000] RPC 26, Trade Marks Registry (US trade embargo of Cuba said to have prevented use of the mark); and see also *K-2 Trade Mark* [2000] RPC 413, Trade Marks Registry (proprietor could have complied with EC regulations).

11 Trade Marks Act 1994 s 46(1)(a) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) arts 10(1), 12(1); and see 8th recital).

As to procedure on the application see para 396 et seq post; as to the date from which revocation takes effect see para 112 ante; as to the additional grounds for revocation of a collective mark see para 163 post; and as to the additional grounds for revocation of a certification mark see para 174 post.

An application under the Trade Marks Act 1938 s 26 (repealed) (removal from the register or imposition of a limitation on the ground of misuse) which was pending on 31 October 1994 must be dealt with under the old law and any necessary alteration made to the register: Trade Marks Act 1994 s 105, Sch 3 para 17(1). An application under s 46(1)(a) or s 46(1)(b) (see the text to note 10 infra) may be made in relation to an existing registered mark at any time on or after 31 October 1994; but no such application for the revocation of the registration of an existing registered mark registered by virtue of the Trade Marks Act 1938 s 27 (repealed) (defensive registration of well known trade marks) may be made until more than five years after 31 October 1994: Trade Marks Act 1994 Sch 3 para 17(2). As to the register see para 19 ante.

12 Ibid s 46(1)(b) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) arts 10(1), 12(1)). See also note 9 supra. As to procedure on the application see para 396 et seq post; as to the date from which revocation takes effect see para 112 ante; as to the additional grounds for revocation of a collective mark see para 163 post; and as to the additional grounds for revocation of a certification mark see para 174 post.

13 Trade Marks (International Registration) Order 1996, SI 1996/714, art 13 (amended by SI 2000/138; SI 2004/948; SI 2006/763; SI 2006/1080). For the meaning of 'protected international trade mark (UK)' see para 13 ante.

14 Trade Marks Act 1994 s 46(3) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) art 12(1)).

15 Trade Marks Act 1994 s 46(3) proviso (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) art 12(1)). This provides a period for negotiation during which the proprietor cannot steal a march on his opponent by putting his mark into use. The applicant does not have to wait, however, and can bring the application as soon as the five year period has elapsed: *Philosophy Inc v Ferretti Studio Srl* [2002] EWCA Civ 921, sub nom *PHILOSOPHY DI ALBERTA FERRETTI Trade Mark* [2003] RPC 287.

16 Trade Marks Act 1994 s 100. This provision abolishes the artificial position under the Trade Marks Act 1938 whereby the applicant for revocation had to produce a prima facie case of non-use (by showing that he had made reasonable searches) before the proprietor had to respond. The same provision is made in relation to protected international trade marks (UK) by the Trade Marks (International Registration) Order 1996, SI 1996/714, art 29. The effect is to place an evidential burden on the proprietor, while the legal burden of establishing the conditions for revocation lies on the applicant: *EXTREME Trade Mark* (O/161/07), Appointed Person. The standard of proof is on the balance of probabilities, and the tribunal is not entitled to disregard unchallenged evidence of use: *EXTREME Trade Mark* supra.

115. Mark becoming common name. The registration of a trade mark[1] may[2] be revoked on the ground that, in consequence[3] of acts[4] or inactivity[5] of the proprietor, it has become[6] the common name[7] in the trade[8] for a product or service for which it is registered[9].

This ground also applies to the revocation of the protection of a protected international trade mark (UK)[10].

1 For the meaning of 'trade mark' see para 57 ante.

2 As to the absence of discretion see para 111 ante.

3 The acts or inactivity of the proprietor must be a cause of the mark becoming the common name, although they need not be the sole cause: *Hormel Foods Corpn v Antilles Landscape Investments NV* [2005] EWHC 13 (Ch), [2005] RPC 657, [2005] IP & T 822.

4 The acts concerned will clearly include descriptive use, including cases where the proprietor gives no name other than his trade mark to a new product. There is no longer any special provision concerning patented goods: cf the Trade Marks Act 1938 s 15(1)(b) (repealed).

5 The inactivity contemplated includes failure to take action against infringers: *Hormel Foods Corpn v Antilles Landscape Investments NV* [2005] EWHC 13 (Ch), [2005] RPC 657, [2005] IP & T 822.

6 Although the Trade Marks Act 1994 s 46(1)(c) is concerned with the situation where the mark has become generic after registration, the process may have started earlier.

7 It is sufficient for this purpose if the mark has become a common name; it does not have to be the only common name: *Hormel Foods Corpn v Antilles Landscape Investments NV* [2005] EWHC 13 (Ch), [2005] RPC 657, [2005] IP & T 822.

8 The relevant classes of person comprise principally consumers and end users, but depending on the product market concerned the influence of intermediaries on decisions to purchase, and thus their perception of the trade mark, must also be taken into consideration: Case C-371/02 *Björnekulla Fruktindustrier AB v Procordia Food AB* [2004] ECR I-5791, [2004] RPC 912, ECJ.

9 Trade Marks Act 1994 s 46(1)(c) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 12(2)(a)). As to procedure on the application see para 396 et seq post; as to the date from which revocation takes effect see para 112 ante; as to the additional grounds for revocation of a collective mark see para 163 post; and as to the additional grounds for revocation of a certification mark see para 174 post.

10 Trade Marks (International Registration) Order 1996, SI 1996/714, art 13 (amended by SI 2000/138; SI 2004/948; SI 2006/763; SI 2006/1080). For the meaning of 'protected international trade mark (UK)' see para 13 ante.

116. Liability to mislead in consequence of use. The registration of a trade mark[1] may[2] be revoked on the ground that, in consequence[3] of the use[4] made of it by

the proprietor or with his consent in relation to the goods or services for which it is registered, it is liable to mislead the public, particularly as to the nature, quality or geographical origin of those goods or services[5].

This ground also applies to the revocation of the protection of a protected international trade mark (UK)[6].

1 For the meaning of 'trade mark' see para 57 ante.
2 As to the absence of discretion see para 111 ante.
3 It would appear that the use must be a cause of the mark becoming liable to mislead, although it need not be the sole cause: cf *Hormel Foods Corpn v Antilles Landscape Investments NV* [2005] EWHC 13 (Ch), [2005] RPC 657, [2005] IP & T 822.
4 For the meaning of 'use' generally see para 60 note 8 ante.
5 Trade Marks Act 1994 s 46(1)(d) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 12(2)(b)). This ground relates to events arising, as EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) says, 'after the date on which [the mark] was registered'. If the mark was misleading at the time it was registered, it will be liable to be declared invalid pursuant to the Trade Marks Act 1994 s 47(1) (see para 118 post), which includes any of the provisions of s 3 (absolute grounds for refusal: see para 59 et seq ante), including therefore s 3(3)(b) (mark of such a nature as to deceive the public: see para 64 ante). Otherwise, the conditions for revocation under s 46(1)(d) are the same as those for the refusal of registration under s 3(3)(b) (see para 64 ante): Case C-259/04 *Emanuel v Continental Shelf 128 Ltd* [2006] IP & T 887, sub nom *Elizabeth Florence Emanuel v Continental Shelf 128 Ltd* [2006] ETMR 56, ECJ. A trade mark corresponding to the name of the designer and first manufacturer of the goods bearing that mark may not, by reason of that feature alone, be refused registration on this ground even where the goodwill associated with that trade mark has been assigned, together with the business making the goods to which the mark relates, to another person: Case C-259/04 *Emanuel v Continental Shelf 128 Ltd* supra.

It is unclear whether the Trade Marks Act 1994 s 46(1)(d) may be invoked where the proprietor allows another person to build up a goodwill in the mark so that the mark is liable to mislead the public as to trade origin: see *Scandecor Development AB v Scandecor Marketing AB* [1999] FSR 26, CA; on appeal [2001] UKHL 21, [2000] IP & T 218, [2002] FSR 122 (questions referred to European Court of Justice but case settled prior to ruling). However, the grant of a bare licence to use a trade mark (i e one with no quality control provisions), particularly if exclusive, will not, without more, render the trade mark deceptive: EINSTEIN Trade Mark [2007] RPC 539, Appointed Person.

As to procedure on the application see para 396 et seq post; as to the date from which revocation takes effect see para 112 ante; as to the additional grounds for revocation of a collective mark see para 163 post; and as to the additional grounds for revocation of a certification mark see para 174 post.
6 Trade Marks (International Registration) Order 1996, SI 1996/714, art 13 (amended by SI 2000/138; SI 2004/948; SI 2006/763; SI 2006/1080). For the meaning of 'protected international trade mark (UK)' see para 13 ante.

117. Partial revocation. Where grounds for revocation[1] exist in respect of only some of the goods or services for which the trade mark[2] is registered[3], revocation must relate to those goods or services only[4]. The same rule applies to the revocation of the protection in respect of part only of the goods and services in respect of which the international trade mark (UK) is protected[5].

1 As to the grounds for revocation see paras 114–116 ante; as to the additional grounds for revocation of a collective mark see para 163 post; as to the additional grounds for revocation of a certification mark see para 174 post; and as to the date from which revocation takes effect see para 112 ante.
2 For the meaning of 'trade mark' see para 57 ante.
3 For the meaning of 'registered' see para 19 note 2 ante.
4 Trade Marks Act 1994 s 46(5) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 13). This most commonly arises in the context of revocation for non-use, where it is often the case that the proprietor has used the mark in relation to only certain goods and services within the specification for which the mark is registered. Where the existing specification is worded in broad terms, it is not appropriate simply to apply a blue pencil test to the specification; rather the tribunal should re-word the specification to correspond to the use that has been made. To do this the tribunal must first find as a fact what goods or services the mark has been used in relation to and secondly arrive at a fair specification of goods or services having regard to the use made; for this purpose the tribunal should decide how the average consumer would describe such use: *Thomson Holidays Ltd v Norwegian Cruise Lines Ltd* [2002] EWCA Civ 1828, [2003] RPC 586,

[2003] IP & T 299 ('arrangement of travel, tours and cruises' etc limited to 'all for package holidays'); see also *MINERVA Trade Mark* [2000] FSR 734 (registration for 'printed matter' limited to 'stationery'); *Decon Laboratories Ltd v Fred Baker Scientific Ltd* [2001] RPC 293, (2001) Times, 28 February ('cleaning and decontaminating substances and preparations' limited to 'all for non-domestic use'); *DaimlerChrysler AG v Alavi (t/a Merc)* [2001] RPC 42, [2002] IP & T 496 ('articles of clothing' limited to 'sweaters, anoraks, polo-shirts, scarves, T-shirts and baseball caps'); *West (t/a Eastenders) v Fuller Smith & Turner plc* [2003] EWCA Civ 48, [2003] FSR 816, [2003] IP & T 768 ('beer' limited to 'bitter beer'); *Associated Newspapers Ltd v Express Newspapers* [2003] EWHC 1322 (Ch), [2004] IP & T 378, [2003] FSR 909 (mark registered for 'newspapers for sale in England and Wales only' not restricted even assuming only used for paid-for Sunday newspaper); *H Young (Operations) Ltd v Medici Ltd* [2003] EWHC 1589 (Ch), sub nom *ANIMAL Trade Mark* [2004] FSR 383 (mark registered for 'clothing' not restricted although only used for casual clothing of surfwear type); Case T-126/03 *Reckitt Benckiser (Espana) SL v Office for Harmonisation of the Internal Market (Trade Marks and Designs)* [2005] ECR II-2861, [2006] ETMR 50, [2005] All ER (D) 198 (Jul), CFI (mark registered for 'polish for metals' not restricted although only used for magic cotton); *WISI Trade Mark* [2006] RPC 580, [2006] ETMR 5, Appointed Person ('electrical and electronic apparatus and instruments' limited to 'apparatus and instruments for receiving, transmitting, amplifying, processing and measuring television signals etc'); *DATASPHERE Trade Mark* [2006] RPC 590, Appointed Person ('computer software and computer programmes' limited to 'all for use in or with banking or financial telecommunications systems'); Case T-256/04 *Mundipharma AG v Office for Harmonisation of the Internal Market (Trade Marks and Designs)* [2007] All ER (D) 159 (Feb), CFI ('pharmaceutical and sanitary preparations; plasters' restricted to 'therapeutic reparations for respiratory illnesses'); *EXTREME Trade Mark* (O/161/07), Appointed Person (registration of 'luggage' maintained in view of use in relation to holdalls); cf *Mercury Communications Ltd v Mercury Interactive (UK) Ltd* [1995] FSR 850 ('computer programs' too broad under the Trade Marks Act 1938 (repealed)). In arriving at a fair specification it is legitimate to take into account the fact that the goods are promoted as having additional uses: *NIRVANA Trade Mark* (O/262/06), Appointed Person.

As to procedure on the application see para 396 et seq post; and as to the date from which revocation takes effect see para 112 ante. Cf the similar provision relating to a partial declaration of invalidity: see the Trade Marks Act 1994 s 47(5) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) art 13); and para 120 post.

5 Trade Marks (International Registration) Order 1996, SI 1996/714, arts 4(3), 13 (art 13 amended by SI 2000/138; SI 2004/948; SI 2006/763; SI 2006/1080). For the meaning of 'protected international trade mark (UK)' see para 13 ante.

(iv) Declaration of Invalidity

118. Registration granted in breach of absolute grounds for refusal. The registration of a trade mark[1] may[2] be declared invalid on the ground that the trade mark was registered in breach of the absolute grounds[3] for refusal of registration[4]. The protection of a protected international trade mark (UK) must be declared invalid on the same ground[5].

Where the trade mark was registered even though it was devoid of any distinctive character[6] or consisted exclusively of signs or indications which might serve, in trade[7], to designate the kind etc of goods or services[8] or consisted exclusively of signs or indications which have become customary in the current language or in the bona fide and established practices of the trade[9], it must not be declared invalid if, in consequence of the use[10] which has been made of it, it has after registration acquired a distinctive character in relation to the goods or services for which it is registered[11].

1 For the meaning of 'trade mark' see para 57 ante.

2 As to the absence of discretion see para 111 ante.

3 Ie on the ground that the trade mark was registered in breach of the Trade Marks Act 1994 s 3 (see para 59 et seq ante) or any of the provisions referred to therein.

4 Ibid s 47(1) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p1) to approximate the laws of the member states relating to trade marks, art 3). As to the additional ground of invalidity of a collective mark see para 164 post; and as to the additional ground of invalidity of a certification mark see para 175 post.

5 Trade Marks (International Registration) Order 1996, SI 1996/714, art 13 (amended by SI 2000/138; SI 2004/948; SI 2006/763; SI 2006/1080). For the meaning of 'protected international trade mark (UK)' see para 13 ante.

6 Ie in breach of the Trade Marks Act 1994 s 3(1)(b): see para 60 head (1) ante.
7 As to the meaning of 'trade' see para 60 note 4 ante.
8 Ie in breach of the Trade Marks Act 1994 s 3(1)(c): see para 60 head (2) ante.
9 Ie in breach of ibid s 3(1)(d): see para 60 head (3) ante.
10 For the meaning of 'use' see para 60 note 8 ante.
11 Trade Marks Act 1994 s 47(1) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) art 3(3), second sentence). As to acquiring distinctive character as a result of use see para 61 ante.

As to procedure on the application see para 396 et seq post; and as to the effect of a declaration of invalidity see para 112 ante. For the purposes of proceedings under the Trade Marks Act 1994 s 47, as it applies in relation to an existing registered mark, the provisions of the Trade Marks Act 1994 are deemed to have been in force at all material times; but no objection to the validity of the registration of an existing registered mark may be taken on the ground specified in s 5(3) (see para 75 ante): s 105, Sch 3 para 18(2). For the meaning of 'existing registered mark' see para 4 note 2 ante.

119. Registration granted in breach of relative grounds for refusal. The registration of a trade mark[1] may[2] be declared invalid on the ground:

(1) that there is an earlier trade mark[3] in relation to which the specified conditions for refusal[4] obtain[5]; or
(2) that there is an earlier right[6] in relation to which the specified condition for refusal[7] is satisfied[8],

unless the proprietor of that earlier trade mark or other earlier right has consented to the registration[9].

The registration of a trade mark may not be declared invalid on the ground that there is an earlier trade mark unless[10]:

(a) the registration procedure for the earlier trade mark was completed within the period of five years ending with the date of the application for the declaration[11];
(d) the registration procedure for the earlier trade mark was not completed before that date[12]; or
(c) the 'use conditions' are met[13].

The use conditions are met if:

(i) within the period of five years ending with the date of publication of the application the earlier trade mark has been put to genuine[14] use[15] in the United Kingdom[16] by the proprietor or with his consent in relation to the goods or services for which it is registered[17]; or
(ii) the earlier trade mark has not been so used, but there are proper reasons[18] for non-use[19].

Where an earlier trade mark satisfies the use conditions in respect of some only of the goods or services for which it is registered, it must be treated for these purposes as if it were registered only in respect of those goods or services[20].

The protection of a protected international trade mark (UK) may be declared invalid on the same ground[21].

1 For the meaning of 'trade mark' see para 57 ante.
2 As to the absence of discretion see para 111 ante.
3 For the meaning of 'earlier trade mark' see para 70 ante.
4 Ie the conditions set out in the Trade Marks Act 1994 s 5(1), (2) or (3): see paras 71–75 ante.
5 Ibid s 47(2)(a). As from 1 October 2007 only the proprietor or a licensee of the earlier trade mark or, in the case of an earlier collective mark or certification mark, the proprietor or an authorised user of such collective mark or certification mark may make an application for a declaration of invalidity on this ground: Trade Marks (Relative Grounds) Order 2007, SI 2007/1976, art 5(1), (2)(a) (not yet in force).
6 For the meaning of 'earlier right' see para 77 ante.
7 Ie the condition set out in the Trade Marks Act 1994 s 5(4): see para 77 ante.
8 Ibid s 47(2)(b). As from 1 October 2007 only the proprietor of the earlier right may make an application for a declaration of invalidity on this ground: Trade Marks (Relative Grounds) Order 2007, SI 2007/1976, art 5(1), (2)(b) (not yet in force).
9 Trade Marks Act 1994 s 47(2) (derived from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) art 4). See also para 118 note 11 ante. As to the date on which the proprietor must give such consent see

para 78 text and note 5 ante; as to procedure on the application see para 396 et seq post; as to the effect of a declaration of invalidity see para 112 ante; as to statutory acquiescence see para 99 ante; as to the additional ground of invalidity of a collective mark see para 164 post; and as to the additional ground of invalidity of a certification mark see para 175 post.

10 Trade Marks Act 1994 s 47(2A) (added by the Trade Marks (Proof of Use etc) Regulations 2004, SI 2004/946, regs 3, 6).

11 Trade Marks Act 1994 s 47(2A)(a) (as added: see note 10 supra).

12 Ibid s 47(2A)(b) (as added: see note 10 supra).

13 Ibid s 47(2A)(c) (as added: see note 10 supra).

14 As to genuine use see para 114 note 6 ante.

15 For these purposes, use of a trade mark includes use in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered: Trade Marks Act 1994 s 47(2C)(a) (added by the Trade Marks (Proof of Use etc) Regulations 2004, SI 2004/946, regs 3, 6). Cf the Trade Marks Act 1994 s 46(2): see para 114 ante.

16 For these purposes, use in the United Kingdom includes affixing the trade mark to goods or to the packaging of goods in the United Kingdom solely for export purposes: Trade Marks Act 1994 s 47(2C)(b) (added by the Trade Marks (Proof of Use etc) Regulations 2004, SI 2004/946, regs 3, 6). Cf the Trade Marks Act s 46(2): see para 114 post. In relation to a Community trade mark, reference to the United Kingdom must be construed as a reference to the European Community: s 47(2D) (added by the Trade Marks (Proof of Use etc) Regulations 2004, SI 2004/946, regs 3, 6). For the meaning of 'United Kingdom' see para 3 note 2 ante.

17 Trade Marks Act 1994 s 47(2B)(a) (added by the Trade Marks (Proof of Use etc) Regulations 2004, SI 2004/946, regs 3, 6).

18 As to proper reasons see para 114 note 10 ante.

19 Trade Marks Act 1994 s 47(2B)(b) (added by the Trade Marks (Proof of Use etc) Regulations 2004, SI 2004/946, regs 3, 6).

20 Trade Marks Act 1994 s 47(2E) (added by the Trade Marks (Proof of Use etc) Regulations 2004, SI 2004/946, regs 3, 6).

21 Trade Marks (International Registration) Order 1996, SI 1996/714, art 13 (amended by SI 2000/138; SI 2004/948; SI 2006/763; SI 2006/1080). For the meaning of 'protected international trade mark (UK)' see para 13 ante.

120. Partial declaration of invalidity. Where the grounds of invalidity[1] exist in respect of only some of the goods or services for which the trade mark[2] is registered[3], the trade mark may be declared invalid as regards those goods or services only[4]. Likewise, a partial declaration of invalidity of the protection of a protected international trade mark (UK) may be made[5].

1 As to the grounds of invalidity see paras 118–119 ante; as to the additional ground of invalidity of a collective mark see para 164 post; and as to the additional ground of invalidity of a certification mark see para 175 post.

2 For the meaning of 'trade mark' see para 57 ante.

3 For the meaning of 'registered' see para 19 note 2 ante.

4 Trade Marks Act 1994 s 47(5). It would appear that in appropriate circumstances the same approach should be applied under s 47(5) as under s 46(5) (see para 117 text and note 4 ante). See also para 118 note 11 ante. As to procedure on the application see para 396 et seq post; and as to the effect of a declaration of invalidity see para 112 ante.

5 Trade Marks (International Registration) Order 1996, SI 1996/714, art 13(5)(b). For the meaning of 'protected international trade mark (UK)' see para 13 ante.

(v) Rectification of the Register

121. In general. Any person having a sufficient interest[1] may apply for the rectification of an error or omission in the register[2]; but an application for rectification may not be made in respect of a matter affecting the validity[3] of the registration[4] of a trade mark[5].

Except where the registrar[6] or the court[7] directs otherwise, the effect of rectification of the register is that the error or omission in question is deemed never to have been made[8].

1 Any person may apply; there is no need for the applicant to show that he is aggrieved by or otherwise interested in the registration: see para 396 text and note 3 post.

2 Trade Marks Act 1994 s 64(1) (which has no antecedent in EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks). As to the register see para 19 ante. An application under the Trade Marks Act 1938 s 32 (repealed) (rectification of register) or s 34 (repealed) (correction of register) which was pending on 31 October 1994 must be dealt with under the old law and any necessary alteration made to the new register: Trade Marks Act 1994 s 105, Sch 3 para 18(1). For the meaning of 'the old law' see para 4 note 3 ante.

3 A broadening of the specification of goods affects the validity of the registration: *Andreas Stihl AG & Co's Trade Mark Application* [2001] RPC 215, Appointed Person; cf Case T-128/99 *Signal Communications Ltd v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2001] ECR II-3273, CFI (decided under EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark).

4 For the meaning of 'registration' see para 19 note 2 ante.

5 Trade Marks Act 1994 s 64(1) proviso. Rectification may be ordered where a purported assignment of the trade mark has been recorded but the assignment was made without authority: *Dasema Trading Ltd's Trade Mark* [2007] ETMR 15, Trade Marks Registry. Rectification may also be ordered where the registered proprietor has sold the trade mark to another party after registration: *Skaga AB's Trade Mark* (O/134/03), Trade Marks Registry. It is not clear whether rectification may be ordered on the ground that the registered proprietor was not the rightful proprietor at the time of the registration, or whether this is a ground which affects the validity of the registration, but the latter appears more likely. For the meaning of 'trade mark' see para 57 ante. As to procedure on the application see para 396 et seq post; and as to the grounds on which a trade mark may be declared invalid see paras 118–119 ante.

The registration of a person as proprietor of a trade mark is prima facie evidence of the validity of the original registration: see s 72; and para 110 ante.

6 As to the registrar see para 17 ante.

7 For the meaning of 'the court' see para 349 post.

8 Trade Marks Act 1994 s 64(3).

(vi) Alteration of Registered Trade Mark

122. In general. A registered trade mark[1] may not be altered in the register[2] during the period of registration or on renewal[3]. Nevertheless the registrar[4] may, at the request of the proprietor, allow the alteration of a registered trade mark where the mark includes the proprietor's name or address and the alteration is limited to alteration of that name or address and does not substantially affect the identity[5] of the mark[6].

Where, upon the request of the proprietor, the registrar proposes to allow such alteration, he must publish[7] the mark as altered[8].

1 As to the meaning of 'registered trade mark' see para 127 post.

2 As to the register see para 19 ante.

3 Trade Marks Act 1994 s 44(1) (which has no antecedent in EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks). This provision must be read subject to the Trade Marks Act 1994 s 13, which permits a disclaimer or limitation to be made to a registered trade mark: see para 83 ante. An application under the Trade Marks Act 1938 s 35 (repealed) (alteration of registered trade mark) which was pending on 31 October 1994 must be dealt with under the old law and any necessary alteration made to the new register: Trade Marks Act 1994 s 105, Sch 3 para 16. For the meaning of 'the old law' see para 4 note 3 ante.

4 As to the registrar see para 17 ante.

5 An alteration which affects the way a trade mark is or may be pronounced or its visual impact or the idea conveyed by the mark does substantially affect the identity of the mark: *Neutrogena Corpn v Golden Ltd* [1996] RPC 473 at 488–489, CA, per Jacob J (a case under the Trade Marks Act 1938 s 30 (repealed)). See also the Trade Marks Act 1994 s 41(2) (in which the same expression appears); and para 364 note 2 post.

6 Trade Marks Act 1994 s 44(2). As to procedure on the application see para 393 post.

7 For the meaning of 'publish' see para 17 note 10 ante.

8 Trade Marks Act 1994 s 44(3); Trade Marks Rules 2000, SI 2000/136, r 25(2).

(6) GROUNDLESS THREATS OF INFRINGEMENT PROCEEDINGS

123. In general. Where a person threatens[1] another with proceedings for infringement[2] of a registered trade mark[3] other than:

(1) the application of the mark to goods or their packaging[4];
(2) the importation of goods to which, or to the packaging of which, the mark has been applied[5]; or
(3) the supply of services under the mark[6],

any person aggrieved[7] may bring proceedings for relief[8].

The mere notification that a trade mark is registered, or that an application for registration has been made, does not constitute a threat of proceedings for the purposes of the above provisions[9]. Since there is no equivalent provision in respect of a threat of passing-off proceedings, it is possible to threaten anyone with such proceedings[10]; but caution will be required where such a threat is made along with a notification of the existence of a registered trade mark[11].

The same provisions apply to threats of infringement proceedings of a protected international trade mark (UK)[12].

1 The test for whether a statement constitutes a threat is whether an ordinary recipient, in the position of the threatened person, would have understood it as a threat of proceedings: *Prince plc v Prince Sports plc* [1998] FSR 21 at 28 per Neuberger J; *L'Oréal (UK) Ltd v Johnson & Johnson* [2000] FSR 686, [2000] All ER (D) 290. Accordingly, implied threats are threats for these purposes: *Scandecor Development AB v Scandecor Marketing AB* [1999] FSR 26, CA (on appeal [2001] UKHL 21, [2000] IP & T 218, [2002] FSR 122 (questions referred to European Court of Justice but case settled prior to ruling)), applying *Bowden Controls Ltd v Acco Cable Control Ltd* [1990] RPC 427 at 431 per Aldous J to the Trade Marks Act 1994 s 21. In relation to patents the courts have consistently held that any communication containing even a hint of legal action amounts to a threat: see PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 644. A statement which is not a threat cannot retrospectively constitute a threat as a result of subsequent events: *Prince plc v Prince Sports plc* supra (cannot use later correspondence to construe alleged 'threat'). If the threat was made at a 'without prejudice' meeting, it cannot be relied on and a claim based upon such a threat will be struck out as an abuse of process: *Unilever plc v Procter & Gamble Co* [2001] 1 All ER 783, [2000] 1 WLR 2436, CA (a patent case). A claim against a solicitor will not be permitted if it appears that the sole purpose of the claim is to create a conflict between the solicitor and his client: *Reckitt Benckiser (UK) v Home Pairfum Ltd* [2004] EWHC 302 (Pat), [2004] FSR 774.

2 For the meaning of 'infringement proceedings' see para 85 note 4 ante; and for the meaning of 'infringement' see para 84 note 4 ante. As to the acts which amount to infringement, if done without the consent of the proprietor, see the Trade Marks Act 1994 s 10; and para 86 et seq ante.

3 As to the meaning of 'registered trade mark' see para 127 post. It appears that a threat of proceedings made in relation to an application for a trade mark is actionable: cf *Brain v Ingledew Brown Benison & Garrett* [1996] FSR 341, CA (a patent case). As to justification in such a case see *Brain v Ingledew Brown Benison & Garrett (No 2)* [1997] FSR 271.

4 Trade Marks Act 1994 s 21(1)(a). A threat in relation to subsequent dealings is actionable even if the person threatened has applied the mark: *Prince plc v Prince Sports plc* [1998] FSR 21; cf *Cavity Trays Ltd v RMC Panel Products Ltd* [1996] RPC 361, CA (a patent case).

5 Trade Marks Act 1994 s 21(1)(b).

6 Ibid s 21(1)(c). Where a threat is made to a person who supplies services, it is a question of construction whether the threat relates purely to supplying services under the mark: *Prince plc v Prince Sports plc* [1998] FSR 21; cf *Brain v Ingledew Brown Benison & Garrett* [1996] FSR 341, CA (a patent case).

7 The expression 'person aggrieved' must be construed liberally. It includes the person to whom the threats are made: *Prince plc v Prince Sports plc* [1998] FSR 21. Cf the Patents Act 1977 s 70(1) (see PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 642), where it is explicitly made clear that the right of action accrues to a person 'whether or not he is the person to whom the threats are made'; but even without that provision it would seem to be the same in relation to trade marks.

8 Trade Marks Act 1994 s 21(1). Section 21 contains a provision new in trade marks law but is based upon the equivalent provisions relating to patents (see the Patents Act 1977 s 70 (as amended); and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 642 et seq) and registered designs (see the Registered Designs Act 1949 s 26 (as amended); and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 821). As to justification of threats see para 124 post; and as to the relief obtainable see para 125 post.

9 Trade Marks Act 1994 s 21(4) (following the Patents Act 1977 s 70(5) (as substituted): see PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 644).
10 Ie subject to the law of malicious falsehood (see LIBEL AND SLANDER vol 28 (Reissue) para 274 et seq), for which it would, however, be necessary to prove that the person making the threat had no honest belief in his case.
11 See *Jaybeam Ltd v Abru Aluminium Ltd* [1976] RPC 308, [1975] FSR 334 (where a letter threatening proceedings for copyright infringement, and also mentioning the existence of a registered design, was held to contain an implicit threat to sue on the registered design).
12 Trade Marks (International Registration) Order 1996, SI 1996/714, art 4(6). For the meaning of 'protected international trade mark (UK)' see para 13 ante.

124. Justification of threats. The claimant is entitled to relief against groundless threats of infringement proceedings[1] unless the defendant shows that the acts in respect of which proceedings were threatened constitute (or, if done, would constitute) an infringement of the registered trade mark[2] concerned[3]. If that is shown by the defendant, the claimant is nevertheless entitled to relief if he shows that the registration of the trade mark is invalid[4] or liable to be revoked[5] in a relevant respect[6].

1 As to groundless threats of infringement proceedings see para 123 ante; and as to the relief obtainable see para 125 post. For the meaning of 'infringement proceedings' see para 85 note 4 ante; and for the meaning of 'infringement' see para 84 note 4 ante. As to the acts which amount to infringement, if done without the consent of the proprietor, see the Trade Marks Act 1994 s 10; and para 86 et seq ante.
2 This provision also applies to a protected international trade mark (UK): see para 123 text and note 12 ante. As to the meaning of 'registered trade mark' see para 127 post. For the meaning of 'protected international trade mark (UK)' see para 13 ante.
3 Trade Marks Act 1994 s 21(2).
4 Ie or that the protection of the protected international trade mark (UK) is invalid. As to the grounds for invalidity of registration see para 118 et seq ante.
5 As to the grounds for revocation of registration see para 114 et seq ante.
6 Trade Marks Act 1994 s 21(3); Trade Marks (International Registration) Order 1996, SI 1996/714, art 4(6)(b).

125. Relief obtainable. The relief which may be applied for groundless threats of infringement proceedings[1] is any of the following[2]:

(1) a declaration that the threats are unjustifiable[3];
(2) an injunction against the continuance of the threats[4];
(3) damages in respect of any loss the claimant has sustained by the threats[5].

1 As to groundless threats of infringement proceedings see para 123 ante; and as to justification of threats see para 124 ante. For the meaning of 'infringement proceedings' see para 85 note 4 ante; and for the meaning of 'infringement' see para 84 note 4 ante. As to the acts which amount to infringement, if done without the consent of the proprietor, see the Trade Marks Act 1994 s 10; and para 86 et seq ante.
2 Ibid s 21(2). This includes an interim injunction: *Johnson Electric Industrial Manufactory Ltd v Mabuchi Motor KK* [1986] FSR 280 (a patent case).
3 Trade Marks Act 1994 s 21(2)(a). This encompasses a declaration of non-infringement: *L'Oréal (UK) Ltd v Johnson & Johnson* [2000] FSR 686, [2000] All ER (D) 290.
4 Trade Marks Act 1994 s 21(2)(b).
5 Ibid s 21(2)(c).

(7) REGISTERED TRADE MARKS AS OBJECTS OF PROPERTY; ASSIGNMENT AND LICENSING

(i) Introduction

126. In general. The Trade Marks Act 1994 contains substantially new provisions relating to registered trade marks as objects of property, particularly in relation to their assignment, transmission and licensing[1]. These provisions also apply, with the necessary

modifications, to applications for registration of trade marks[2]. Most of these provisions also apply to protected international trade marks (UK)[3].

The new provisions in the Trade Marks Act 1994 in all these respects give a proprietor much greater freedom in principle than under the previous law[4]. It remains the case, however, that he must not allow his mark to become deceptive without risking revocation[5]. Subject to that, a registered trade mark has become more assimilated to other incorporeal rights as regards the freedom of its owner to deal with it[6].

1 Under the Trade Marks Act 1938 both assignment and licensing were closely controlled with a view to preventing marks from becoming deceptive: see the Trade Marks Act 1938 s 22 (repealed) (assignment) and s 28 (repealed) (licensing).

Even the provisions of that Act represented a liberalisation of the position obtaining before that Act was passed: see the Trade Marks Act 1905 s 22 (repealed), whereby a registered trade mark could only be assigned along with the business i e effectively with the business (see e g *Re John Sinclair Ltd's Trade Mark* [1932] 1 Ch 598, 49 RPC 123, CA). There was no provision in the Trade Marks Act 1905 permitting licensing at all. A history of these matters was provided in *GE Trade Mark* [1969] RPC 418; revsd [1970] RPC 339, CA; affd [1973] RPC 297, HL.

2 Trade Marks Act 1994 s 27(1).

3 See the Trade Marks (International Registration) Order 1996, SI 1996/714, arts 5, 7.

4 Such was the intention: see the White Paper *Reform of Trade Marks Law* (Cm 1203) paras 4.34–4.39 (licensing), 4.44–4.47 (assignment).

5 See para 116 ante.

6 See *Scandecor Development AB v Scandecor Marketing AB* [2001] UKHL 21, [2000] IP & T 218, [2002] FSR 122 (referred to European Court of Justice but case settled prior to ruling).

(ii) Registered Trade Marks and Protected International Trade Marks (UK) as Objects of Property

127. Registered trade mark is property. A registered trade mark is a property right obtained by the registration[1] of the trade mark under the Trade Marks Act 1994; and the proprietor of a registered trade mark has the rights[2] and remedies[3] provided by that Act[4]. A registered trade mark is personal property[5]. Equities in respect of a registered trade mark may be enforced[6] in like manner as in respect of other personal or movable property[7].

1 As to the meaning of 'registration' see para 19 note 2 ante.

2 As to the rights see para 84 ante.

3 As to the remedies see para 436 et seq post.

4 Trade Marks Act 1994 s 2(1).

5 Ibid s 22. The provisions of s 22 and s 26 (see the text and notes 6–7 infra) apply, with the necessary modifications, in relation to an application for the registration of a trade mark as in relation to a registered trade mark: s 27(1). If the applicant company is dissolved prior to registration the application vests bona vacantia: *Joe Cool (Manchester) Ltd's Trade Mark Application* [2000] RPC 926, Trade Marks Registry. These provisions also apply in relation to a protected international trade mark (UK): Trade Marks (International Registration) Order 1996, SI 1996/714, art 5. As to the requirements for registration see para 55 et seq ante; and as to the procedure on the application see para 352 et seq post. For the meaning of 'protected international trade mark (UK)' see para 13 ante.

6 Ie subject to the provisions of the Trade Marks Act 1994.

7 Ibid s 26(2). See also note 5 supra. As to trusts and equities generally see further para 23 ante.

128. Co-ownership of registered trade mark. Where a registered trade mark[1] is granted to two or more persons jointly, each of them is entitled, subject to any agreement to the contrary, to an equal undivided share in the registered trade mark[2]. Where two or more persons are co-proprietors of a registered trade mark[3], the following provisions apply[4].

Subject to any agreement to the contrary, each co-proprietor is entitled, by himself or his agents, to do for his own benefit and without the consent[5] of or the need to

account to the other or others, any act which would otherwise amount to an infringement[6] of the registered trade mark[7].

One co-proprietor may not, without the consent of the other or others, grant a licence[8] to use the registered trade mark or assign[9] or charge his share in the registered trade mark[10].

Infringement proceedings[11] may be brought by any co-proprietor, but he may not, without the leave of the court[12], proceed with the action unless the other, or each of the others, is either joined as a claimant or added as a defendant; a co-proprietor who is thus added as a defendant may not be made liable for any costs in the action unless he takes part in the proceedings[13].

Nothing in the above provisions affects the mutual rights and obligations of trustees or personal representatives, or their rights and obligations as such[14].

1 As to the meaning of 'registered trade mark' see para 127 ante.

2 Trade Marks Act 1994 s 23(1). The provisions of s 23 apply, with the necessary modifications, in relation to an application for the registration of a trade mark as in relation to a registered trade mark: s 27(1). In s 23, as it applies in relation to an application for registration, the reference in s 23(1) to the granting of the registration is to be construed as a reference to the making of the application: s 27(2). These provisions also apply in relation to a protected international trade mark (UK): Trade Marks (International Registration) Order 1996, SI 1996/714, art 5. As to the requirements for registration see para 55 et seq ante; and as to the procedure on the application see para 352 et seq post. For the meaning of 'protected international trade mark (UK)' see para 13 ante.

The provisions of the Trade Marks Act 1994 s 23 apply as from 31 October 1994 to an existing registered mark of which two or more persons were immediately before that date registered as joint proprietors: s 105, Sch 3 para 7. So long as the relations between the joint proprietors remain such as are described in the Trade Marks Act 1938 s 63 (repealed) (joint ownership) there is, however, taken to be an agreement to exclude the operation of the Trade Marks Act 1994 s 23(1), (3): Sch 3 paras 1(1), 7. Where the relations between two or more persons interested in a trade mark was such that no one of them was entitled as between himself and the other or others to use it except either on behalf of both or all of them or in relation to an article with which both or all of them were connected in the course of trade, those persons might be registered as joint proprietors of the trade mark; and the Trade Marks Act 1938 had effect in relation to any rights to the use of the trade mark vested in those persons as if those rights had been vested in a single person: s 63(1) (repealed). Subject thereto, nothing in the Trade Marks Act 1938 authorised the registration as joint proprietors of two or more persons who used, or propose to used, a trade mark independently: s 63(2) (repealed). As to the meaning of 'trade' see para 60 note 4 ante.

3 Ie whether by virtue of the Trade Marks Act 1994 s 23(1) (see the text to note 2 supra) or otherwise.

4 Ibid s 23(2). See also note 2 supra.

5 For the meaning of 'consent' see ibid s 28(3); and para 136 post.

6 For the meaning of 'infringement' see para 84 note 4 ante. As to the acts which amount to infringement, if done without the consent of the proprietor, see ibid s 10; and para 86 et seq ante.

7 Ibid s 23(3). See also note 2 supra. This represents a relaxation of the position under the Trade Marks Act 1938 s 63 (repealed) (cited in note 2 supra).

8 As to the licensing of trade marks see paras 136–137 post.

9 As to assignment of a registered trade mark see para 129 post.

10 Trade Marks Act 1994 s 23(4). See also note 2 supra.

11 For the meaning of 'infringement proceedings' see para 85 note 4 ante.

12 For the meaning of 'the court' see para 349 post.

13 Trade Marks Act 1994 s 23(5). See also note 2 supra. Nothing in s 23(5) affects the granting of interim relief on the application of a single co-proprietor: s 23(5).

14 Ibid s 23(6). See also note 2 supra.

(iii) Assignment and Transmission

129. In general. A registered trade mark[1] is transmissible by assignment[2], testamentary disposition or operation of law in the same way as other personal or movable property[3]. It is so transmissible either in connection with the goodwill of a business[4] or independently[5].

An assignment or other transmission of a registered trade mark or protected international trade mark (UK) may be partial, that is, limited so as to apply in relation to

some but not all of the goods or services for which the trade mark is registered[6]; an assignment or other transmission of a registered trade mark (but not a protected international trade mark (UK)[7]) may be limited in relation to use[8] of the trade mark in a particular manner or a particular locality[9].

An assignment of a registered trade mark, or an assent relating to a registered trade mark, is not effective unless it is in writing signed by or on behalf of the assignor or, as the case may be, a personal representative; but, in a case where the assignor or personal representative is a body corporate, this requirement may be satisfied by the affixing of its seal[10].

The above provisions apply to assignment by way of security as in relation to any other assignment[11].

A registered trade mark may be the subject of a charge in the same way as other personal or movable property[12].

With the exception of a partial assignment limited by particular manner or locality of use, the above provisions apply in relation to a protected international trade mark (UK) in the same way as to registered trade marks[13].

Nothing in the Trade Marks Act 1994 is to be construed as affecting the assignment or other transmission of an unregistered trade mark as part of the goodwill of a business[14].

1 As to the meaning of 'registered trade mark' see para 127 ante.
2 The assignment of a registered trade mark or any right in it is a registrable transaction: see the Trade Marks Act 1994 s 25(2); and para 130 post. The registration of a person as proprietor of a registered trade mark is prima facie evidence of the validity of any subsequent assignment or other transmission of it: see s 72; and para 110 ante.
3 Ibid s 24(1). The provisions of s 24 apply, with the necessary modifications, in relation to an application for the registration of a trade mark as in relation to a registered trade mark: s 27(1). As to the requirements for registration see para 55 et seq ante; and as to the procedure on the application see para 352 et seq post.

Section 24 applies to transactions and events occurring on or after 31 October 1994 in relation to an existing registered mark; and the old law continues to apply in relation to transactions and events occurring before that date: s 105, Sch 3 para 8(1). For the meaning of 'existing registered mark' see para 4 note 2 ante; and for the meaning of 'the old law' see para 4 note 3 ante.
4 For the meaning of 'business' see para 32 note 3 ante.
5 Trade Marks Act 1994 s 24(1). As to the risk that an assignment without goodwill may render the trade mark deceptive see para 116 ante.
6 Ibid s 24(2)(a); Trade Marks (International Registration) Order 1996, SI 1996/714, art 5. For the meaning of 'protected international trade mark (UK)' see para 13 ante.
7 Ibid art 5 excludes the Trade Marks Act 1994 s 24(2)(b) (see the text and note 9 infra) from applying to protected international trade marks (UK).
8 For the meaning of 'use' see para 60 note 8 ante.
9 Trade Marks Act 1994 s 24(2)(b). A partial assignment may have dangers in respect of validity. For example, assignment for some goods with retention for closely similar goods could lead to confusion. Under the Trade Marks Act 1938 this was not allowed: see *Phantom Trade Mark* [1978] RPC 245, CA.
10 Trade Marks Act 1994 s 24(3).
11 Ibid s 24(4).
12 Ibid s 24(5).
13 Trade Marks (International Registration) Order 1996, SI 1996/714, art 5.
14 Trade Marks Act s 24(6). See also paras 314–315 post.

130. Registration of transactions affecting registered trade mark. On application being made to the registrar[1] by:

(1) a person claiming to be entitled to an interest in or under a registered trade mark[2] by virtue of a registrable transaction[3]; or

(2) any other person claiming to be affected by such a transaction[4],

the prescribed particulars[5] of the transaction must be entered in the register[6].

The following are registrable transactions:

(a) an assignment of a registered trade mark or any right in it[7];
(b) the grant of a licence under a registered trade mark[8];
(c) the granting of any security interest, whether fixed or floating, over a registered trade mark or any right in or under it[9];
(d) the making by personal representatives of an assent in relation to a registered trade mark or any right in or under it[10];
(e) an order of a court or other competent authority transferring a registered trade mark or any right in or under it[11].

Until an application has been made for registration of the prescribed particulars of a registrable transaction: (i) the transaction is ineffective as against a person acquiring a conflicting interest in or under the registered trade mark in ignorance of it; and (ii) a person claiming to be a licensee[12] does not have the protection under the statutory provisions[13] relating to the rights and remedies of a licensee in relation to infringement[14].

Where a person becomes the proprietor or a licensee of a registered trade mark by virtue of a registrable transaction, and the mark is infringed before the prescribed particulars are registered, in proceedings for such an infringement the court[15] must not award him costs unless[16]:

(A) an application for registration of the prescribed particulars of the transaction is made before the end of the period of six months beginning with its date[17]; or
(B) the court is satisfied that it was not practicable for such an application to be made before the end of that period and that an application was made as soon as practicable thereafter[18].

1 As to the registrar see para 17 ante.
2 As to the meaning of 'registered trade mark' see para 127 ante.
3 Trade Marks Act 1994 s 25(1)(a).
4 Ibid s 25(1)(b).
5 As to the prescribed particulars see para 131 post.
6 Trade Marks Act 1994 s 25(1). The provisions of s 25 apply, with the necessary modifications, in relation to an application for the registration of a trade mark as in relation to a registered trade mark: s 27(1). In s 25, as it applies in relation to a transaction affecting an application for the registration of a trade mark, the references to the entry of particulars in the register, and to the making of an application to register particulars, are to be construed as references to the giving of notice to the registrar of those particulars: s 27(3). As to the requirements for registration see para 55 et seq ante; as to the procedure on the application see para 352 et seq post; and as to the register see para 19 ante.

As to the power to make rules for the amendment and removal of registered particulars see para 134 post.

Existing entries under the Trade Marks Act 1938 s 25 (repealed) (registration of assignments and transmissions) had to be transferred on 31 October 1994 to the register kept under the Trade Marks Act 1994 and have effect as if made under s 25: s 105, Sch 3 para 8(2). Provision may be made by rules for putting such entries in the same form as is required for entries made under the Act: Sch 3 para 8(2).

An application for registration under the Trade Marks Act 1938 s 25 (repealed) which was pending before the registrar on 31 October 1994 must be treated as an application for registration under the Trade Marks Act 1994 s 25 and must proceed accordingly; and the registrar may require the applicant to amend his application so as to conform with the requirements of that Act: Sch 3 para 8(3).

An application under the Trade Marks Act 1938 s 25 (repealed) which has been determined by the registrar but not finally determined before 31 October 1994 must be dealt with under the old law; and the Trade Marks Act 1994 Sch 3 para 8(2) applies in relation to any resulting entry in the register: Sch 3 para 8(4). For the meaning of 'the old law' see para 4 note 3 ante.

Where before 31 October 1994 a person has become entitled by assignment or transmission to an existing registered mark but has not registered his title, any application for registration on or after that date must be made under s 25: Sch 3 para 8(5). For the meaning of 'existing registered mark' see para 4 note 2 ante.

In cases to which Sch 3 para 8(3) or Sch 3 para 8(5) applies, the Trade Marks Act 1938 s 25(3) (repealed) continues to apply (and the Trade Marks Act 1994 s 25(3), (4) does not apply) as regards the consequences of failing to register: Sch 3 para 8(6).

7 Ibid s 25(2)(a). As to assignments see para 129 ante. The transfer of a trade mark by operation of law is not an assignment or other registrable transaction: cf *Tamglass Ltd OY v Luoyang North Glass Technology Co Ltd (No 3)* [2006] EWHC 445 (Pat), [2006] FSR 622 (a patent case).
8 Trade Marks Act 1994 s 25(2)(b). For the meaning of 'licence' see para 136 note 7 post.
9 Ibid s 25(2)(c).
10 Ibid s 25(2)(d).
11 Ibid s 25(2)(e).
12 For the meaning of 'licensee' see para 136 note 7 post.
13 Ie the Trade Marks Act 1994 s 30 (see para 418 post) or s 31 (see para 419 post).
14 Ibid s 25(3).
15 For the meaning of 'the court' see para 349 post.
16 Trade Marks Act 1994 s 25(4) (amended by the Intellectual Property (Enforcement etc) Regulations 2006, SI 2006/1028, reg 2(2), Sch 2 paras 15, 17). The Trade Marks Act 1994 s 25(4) (as amended) follows the similar provision in the Patents Act 1977 s 68 (as amended) (effect of non-registration on infringement proceedings: see PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 632) with the important difference that it is the practicability of making the application for registration rather than the registration itself which matters: cf on the latter in relation to patents *Mölnlycke AB v Procter & Gamble Ltd (No 5)* [1994] RPC 49 at 110, CA.
17 Trade Marks Act 1994 s 25(4)(a) (as amended: see note 16 supra).
18 Ibid s 25(4)(b) (as amended: see note 16 supra).

131. Particulars of registrable transactions. Upon application made to the registrar[1] by a person claiming to be entitled to an interest in or under a registered trade mark by virtue of a registrable transaction or any other person claiming to be affected by such a transaction[2], there must be entered in the register[3] the following particulars of registrable transactions[4], that is to say:

(1) in the case of an assignment[5] of a registered trade mark or any right in it: (a) the name and address of the assignee; (b) the date of the assignment; and (c) where the assignment is in respect of any right in the mark, a description of the right assigned[6];

(2) in the case of the grant of a licence[7] under a registered trade mark: (a) the name and address of the licensee; (b) where the licence is an exclusive licence[8], that fact; (c) where the licence is limited[9], a description of the limitation; and (d) the duration of the licence if the same is or is ascertainable as a definite period[10];

(3) in the case of the grant of any security interest over a registered trade mark or any right in or under it: (a) the name and address of the grantee; (b) the nature of the interest, whether fixed or floating; and (c) the extent of the security and the right in or under the mark secured[11];

(4) in the case of the making by personal representatives of an assent in relation to a registered trade mark or any right in or under it: (a) the name and address of the person in whom the mark or any right in or under it vests by virtue of the assent; and (b) the date of the assent[12]; and

(5) in the case of a court or other competent authority transferring a registered trade mark or any right in or under it: (a) the name and address of the transferee; (b) the date of the order; and (c) where the transfer is in respect of a right in the mark, a description of the right transferred[13].

In each case, there must be entered the date on which the entry is made[14].

1 As to the registrar see para 17 ante.
2 Ie any such person as is mentioned in the Trade Marks Act 1994 s 25(1)(a) or s 25(1)(b): see para 130 heads (1), (2) ante.
3 As to the register see para 19 ante.
4 Trade Marks Rules 2000, SI 2000/136, r 40.
5 As to assignments see para 129 ante.
6 Trade Marks Rules 2000, SI 2000/136, r 40(a).
7 As to licences see paras 136–137 post.
8 As to exclusive licences see para 137 post.

9 As to limited licences see para 136 post.
10 Trade Marks Rules 2000, SI 2000/136, r 40(b).
11 Ibid r 40(c).
12 Ibid r 40(d).
13 Ibid r 40(e).
14 Ibid r 40. As to the application to register or give notice of a transaction see para 132 post.

132. Application to register or give notice of transaction. An application to register particulars of transactions affecting a registered trade mark[1] or to give notice to the registrar of particulars affecting an application for registration of a trade mark[2] must be made as follows[3]:

(1) in relation to an assignment[4] or transaction, other than a transaction referred to in heads (2) to (4) below, on Form TM16[5];
(2) in relation to the grant of a licence[6], on Form TM50[7];
(3) in relation to an amendment to, or termination of, a licence, on Form TM51[8];
(4) in relation to the grant, amendment or termination of any security interest, on Form TM24[9]; and
(5) in relation to the making by personal representatives of an assent or in relation to an order of a court or other competent authority, on Form TM24[10].

Any such application must:

(a) where the transaction is an assignment, be signed by or on behalf of the parties to the assignment[11];
(b) where the transaction falls within head (2), head (3) or head (4) above, be signed by or on behalf of the grantor of the licence or security interest[12],

or be accompanied by such documentary evidence as suffices to establish the transaction[13].

Where the transaction is effected by an instrument chargeable with duty, the application is subject to the registrar's being satisfied that the instrument has been duly stamped[14].

Where an application to give notice to the registrar has been made of particulars relating to an application for registration of a trade mark, upon registration of the trade mark, the registrar must enter those particulars in the register[15].

1 Ie a transaction to which the Trade Marks Act 1994 s 25 (see para 130 ante) applies.
2 Ie a transaction to which ibid s 27(3) (see para 130 note 6 ante) applies.
3 Trade Marks Rules 2000, SI 2000/136, r 41(1), which is expressed to be subject to r 41(2) (see the text to notes 11–13 infra).
4 As to assignments see para 129 ante.
5 Trade Marks Rules 2000, SI 2000/136, r 41(1)(a). As to the use of forms see para 353 post.
6 As to licences see paras 136–137 post.
7 Trade Marks Rules 2000, SI 2000/136, r 41(1)(b).
8 Ibid r 41(1)(c).
9 Ibid r 41(1)(d).
10 Ibid r 41(1)(e).
11 Ibid r 41(2)(a).
12 Ibid r 41(2)(b).
13 Ibid r 41(2).
14 Ibid r 41(3).
15 Ibid r 41(4).

133. Sanctions for failure to register. The Trade Marks Act 1994 provides sanctions in the nature of deprivation of rights for failure to register any registrable transaction affecting a registered trade mark[1]. Thus, until an application has been made for registration of the prescribed particulars of a registrable transaction, the transaction is ineffective as against a person acquiring a conflicting interest in or under the registered trade mark in ignorance of it[2]; and a person claiming to be a licensee by virtue of the

transaction does not have the protection of the provisions conferring rights and remedies on a licensee in relation to infringement[3]. Moreover, where a person becomes the proprietor or a licensee of a registered trade mark by virtue of a registrable transaction, and the mark is infringed before the prescribed particulars are registered, in proceedings for such an infringement the court[4] must not award him costs unless an application for registration of the prescribed particulars of the transaction is made before the end of the period of six months beginning with its date or the court is satisfied that it was not practicable for such an application to be made before the end of that period and that an application was made as soon as practicable thereafter[5].

1 The sanctions, so far as may be relevant, will also apply to failure to register or apply to register a registrable transaction in respect of a trade mark application (see the Trade Marks Act 1994 s 27(1)), and failure to apply to register or request recordal of relevant transactions in the supplementary register or the international register (as appropriate) in respect of international trade marks (UK) (see the Trade Marks (International Registration) Order 1996, SI 1996/714, art 6(4), (5) (art 6(5) as substituted); and para 135 post).
2 See the Trade Marks Act 1994 s 25(1)(a); and para 130 ante.
3 See ibid s 25(3)(b); and para 130 ante.
4 For the meaning of 'the court' see para 349 post.
5 See the Trade Marks Act 1994 s 25(4) (as amended); and para 130 ante.

134. Amendment and removal of registered particulars. Provision may be made by rules[1] as to:

(1) the amendment of registered particulars[2] relating to a licence so as to reflect any alteration of the terms of the licence[3]; and
(2) the removal of such particulars from the register[4]:
  (a) where it appears from the registered particulars that the licence was granted for a fixed period and that period has expired[5]; or
  (b) where no such period is indicated and, after such period as may be prescribed, the registrar[6] has notified the parties of his intention to remove the particulars from the register[7].

Provision may also be made by rules as to the amendment or removal from the register of particulars relating to a security interest on the application of, or with the consent of, the person entitled to the benefit of that interest[8].

1 Trade Marks Act 1994 s 25(5). The provisions of s 25 apply, with the necessary modifications, in relation to an application for the registration of a trade mark as in relation to a registered trade mark: s 27(1). See the Trade Marks Rules 2000, SI 2000/136, r 41 (made partly under the Trade Marks Act 1994 s 25); and para 132 ante. As to the requirements for registration see para 55 et seq ante; and as to the procedure on the application see para 352 et seq post.
2 As to registered particulars see para 131 ante.
3 Trade Marks Act 1994 s 25(5)(a). As to the licensing of trade marks see paras 136–137 post.
4 Ibid s 25(5)(b). As to the register see para 19 ante.
5 Ibid s 25(5)(b)(i).
6 As to the registrar see para 17 ante.
7 Trade Marks Act 1994 s 25(5)(b)(ii).
8 Ibid s 25(6). See also note 1 supra.

135. Notification of transactions affecting protected international trade marks (UK). The provisions pertaining to protected international trade marks (UK)[1] are different from the registration provisions which apply to transactions affecting registered trade marks[2]. Only one class of transactions affecting such marks is notifiable to the registry in the United Kingdom, namely the granting of any security interest (whether fixed or floating) over such a mark or any right in or under it[3].

Particulars of notifiable transactions are entered in the supplementary register[4] in the same way as registration is effected of particulars of transactions relating to registered

trade marks[5]. Apart from the special requirements relating to such notifiable transactions, transactions relating to international trade marks are recorded in the international register[6] rather than in the registry in the United Kingdom[7].

Certain sanctions apply in a case of failure to register a registrable transaction relating to a registered trade mark[8]. These sanctions also apply on failure to notify to the registrar in the United Kingdom a notifiable transaction relating to a protected international trade mark (UK) as set out above[9]. The sanctions also apply when there is a failure to record in the international register certain relevant transactions, which are defined as:

(1) an assignment of an international trade mark (UK) or any right in it;
(2) the grant of a licence under an international trade mark (UK);
(3) the making by personal representatives of an assent in relation to an international trade mark (UK) or any right in or under it;
(4) an order of a court or other competent authority transferring the mark or any right in or under it[10].

1 For the meaning of 'protected international trade mark (UK)' see para 13 ante.
2 See para 130 et seq ante.
3 Trade Marks (International Registration) Order 1996, SI 1996/714, art 6(1) (substituted by SI 2002/692).
4 As to the supplementary register see para 19 ante.
5 See the Trade Marks (International Registration) Order 1996, SI 1996/714, art 6(2), (6) (art 6(6) substituted by SI 2000/138).
6 For the meaning of 'international register' see para 12 note 2 ante.
7 The entry of a person's name as proprietor in the international register is prima facie evidence of the validity of the assignment to him in any legal proceedings: see para 110 text and note 7 ante.
8 As to these sanctions see para 133 ante.
9 See the Trade Marks (International Registration) Order 1996, SI 1996/714, art 6(4), (5) (art 6(5) substituted by SI 2002/692).
10 Trade Marks (International Registration) Order 1996, SI 1996/714, art 6(3) (amended by SI 2002/692).

(iv) Licensing of Trade Marks

136. Freedom to license. A licence[1] to use a registered trade mark[2] may be general or limited[3].

A limited licence may, in particular, apply: (1) in relation to some but not all of the goods or services for which the trade mark is registered; or (2) in relation to use of the trade mark in a particular manner or a particular locality[4].

A licence is not effective unless it is in writing signed by or on behalf of the grantor; and, where the grantor is a body corporate, this requirement may be satisfied by the affixing of its seal[5].

Unless the licence provides otherwise, it is binding on a successor in title to the grantor's interest[6].

Where the licence so provides, a sub-licence may be granted by the licensee[7].

1 A licence to use a registered trade mark is a mere permission, and does not confer any proprietary right: *Northern & Shell plc v Condé Nast & National Magazines Distributors Ltd* [1995] RPC 117. The grant of a bare licence to use a trade mark (i e one with no quality control provisions), particularly if exclusive, will not, without more, render the trade mark deceptive: EINSTEIN Trade Mark [2007] RPC 539, Appointed Person; *Scandecor Development AB v Scandecor Marketing AB* [2001] UKHL 21, [2000] IP & T 218, [2002] FSR 122 (question referred to European Court of Justice for ruling but case settled before ruling given); c f Case C-9/93 *IHT Internationale Heiztechnik GmbH v Ideal Standard GmbH* [1994] ECR I-2789, [1995] FSR 59, ECJ; and see para 116 ante.
2 The Trade Marks Act 1994 s 28 also applies with the necessary modifications in relation to a protected international trade mark (UK): Trade Marks (International Registration) Order 1996, SI 1996/714, art 7. As to the meaning of 'registered trade mark' see para 127 ante. For the meaning of 'protected international trade mark (UK)' see para 13 ante.

3 Trade Marks Act 1994 s 28(1). The kind of licence here generally contemplated is a formal agreement rather than a mere informal consent to use the mark which suffices to provide the user with a defence to infringement (see para 84 ante). As to the general rights of a licensee in the case of infringement see para 418 post; and as to the rights of an exclusive licensee see para 419 post. The grant of a licence under a registered trade mark is a registrable transaction: see s 25(2); and para 130 ante. As to the amendment and removal of registered particulars see para 134 ante.

Sections 28, 29(2) (see para 137 post) apply only in relation to licences granted on or after 31 October 1994; and the old law continues to apply in relation to licences granted before that date: s 105, Sch 3 para 9(1). For the meaning of 'the old law' see para 4 note 3 ante. For the former system of approved licensing see the Trade Marks Act 1938 s 28 (repealed), whereby so-called 'registered user agreements' were vetted by the registrar to ensure sufficient connection with the licensor.

Existing entries under s 28 (repealed) (registered users) had to be transferred on 31 October 1994 to the register kept under the Trade Marks Act 1994 and have effect as if made under s 25 (see para 130 ante): Sch 3 para 9(2). Provision may be made by rules for putting such entries in the same form as is required under the Trade Marks Act 1994: Sch 3 para 9(2).

An application for registration as a registered user which was pending before the registrar on 31 October 1994 must be treated as an application for registration of a licence under s 25(1) (see para 130 ante) and must proceed accordingly: Sch 3 para 9(3). The registrar may require the applicant to amend his application so as to conform with the requirements of the Trade Marks Act 1994: Sch 3 para 9(3).

An application for registration as a registered user which has been determined by the registrar but not finally determined before 31 October 1994 is to be dealt with under the old law; and Sch 3 para 9(2) applies in relation to any resulting entry in the register: Sch 3 para 9(4).

Any proceedings pending on 31 October 1994 under the Trade Marks Act 1938 s 28(8) (repealed) or s 28(10) (repealed) (variation or cancellation of registration of registered user) is to be dealt with under the old law and any necessary alteration made to the new register: Trade Marks Act 1994 Sch 3 para 9(5).

4 Ibid s 28(1). See also note 3 supra.

5 Ibid s 28(2). See also note 3 supra.

6 Ibid s 28(3). References in the Trade Marks Act 1994 to doing anything with, or without, the consent of the proprietor of a registered trade mark is to be construed accordingly: s 28(3). See also note 3 supra.

7 Ibid s 28(4). References in the Trade Marks Act 1994 to a licence or licensee include a sub-licence or sub-licensee: s 28(4). See also note 3 supra.

137. Exclusive licences. An 'exclusive licence' means a licence[1], whether general or limited[2], authorising the licensee to the exclusion of all other persons, including the person granting the licence, to use[3] a registered trade mark[4] in the manner authorised by the licence; and the expression 'exclusive licensee' is to be construed accordingly[5].

An exclusive licensee has the same rights against a successor in title who is bound by the licence as he has against the person granting the licence[6].

Unless the licence provides otherwise, it is binding on a successor in title to the grantor's interest[7].

1 For the meaning of 'licence' see para 136 note 7 ante.

2 As to limited licences see para 136 ante.

3 For the meaning of 'use' see para 60 note 8 ante. As to the burden of proving use of a registered trade mark see the Trade Marks Act 1994 s 100; and para 114 ante.

4 Ibid s 29 also applies with the necessary modifications in relation to a protected international trade mark (UK): Trade Marks (International Registration) Order 1996, SI 1996/714, art 7. As to the meaning of 'registered trade mark' see para 127 ante.

5 Trade Marks Act 1994 s 29(1). As to the general rights of a licensee in the case of infringement see para 418 post; and as to the rights and remedies of an exclusive licensee see para 419 post.

6 Ibid s 29(2).

7 Ibid s 28(3).

(8) OFFENCES

(i) Introduction

138. In general. The Trade Marks Act 1994 provides for a number of offences[1]. In addition a power of forfeiture of goods and materials relating to infringement is conferred upon a criminal court[2]. The offences under the Act relate to:

(1) registered trade mark agents[3];
(2) the unauthorised use of a registered trade mark[4];
(3) falsification of the register[5];
(4) falsely representing a trade mark as registered[6]; and
(5) the unauthorised use of the royal arms[7].

The Olympic Symbol etc (Protection) Act 1995 provides for further offences relating to the unauthorised use of controlled representations[8].

1 For the application of these offences to Community trade marks see para 268–269 post.
2 See the Trade Marks Act 1994 s 97; and para 140 post.
3 See ibid s 84; and para 32 ante.
4 See ibid s 92; and paras 141–144 post.
5 See ibid s 94; and para 147 post.
6 See ibid s 95; and para 148 post.
7 See ibid s 99; and para 488 post.
8 See the Olympic Symbol etc (Protection) Act 1995 s 8; and para 498 post. For the meaning of 'controlled representation' see para 493 post.

139. Offences committed by partnerships and bodies corporate. Proceedings for an offence under the Trade Marks Act 1994 alleged to have been committed by a partnership must be brought against the partnership in the name of the firm and not in that of the partners[1]. A fine imposed on a partnership on its conviction in such proceedings must be paid out of the partnership assets[2].

Where a partnership is guilty of an offence under the Trade Marks Act 1994, every partner, other than a partner who is proved to have been ignorant of or to have attempted to prevent the commission of the offence, is also guilty of the offence and liable to be proceeded against and punished accordingly[3].

The following provisions apply for the purposes of proceedings under the Trade Marks Act 1994 against a partnership as in relation to a body corporate: (1) any rules of court relating to the service of documents; and (2) the statutory provisions[4] relating to procedure on charge of an offence[5].

Where an offence under the Trade Marks Act 1994 committed by a body corporate is proved to have been committed with the consent or connivance of a director[6], manager, secretary or other similar officer of the body, or a person purporting to act in any such capacity, he as well as the body corporate is guilty of the offence and liable to be proceeded against and punished accordingly[7].

1 Trade Marks Act 1994 s 101(1), which is expressed to be without prejudice to s 101(4) (see the text and note 3 infra).
2 Ibid s 101(3).
3 Ibid s 101(4). It is not a requirement that the partnership has actually been convicted of the offence: *R v Wakefield and Purseglove* [2004] EWCA Crim 2278, 168 JP 505 (partnership dissolved by time of trial).
4 Ie the Magistrates' Courts Act 1980 s 46, Sch 3 (as amended): see MAGISTRATES vol 29(2) (Reissue) para 666.
5 Trade Marks Act 1994 s 101(2).
6 For the meaning of 'director' see para 32 note 11 ante.
7 Trade Marks Act 1994 s 101(5).

140. Forfeiture of counterfeit goods etc. Where there has come into the possession of any person[1] in connection with the investigation or prosecution of a relevant offence[2]:

(1) goods which, or the packaging of which, bears a sign identical to or likely to be mistaken for a registered trade mark[3];
(2) material bearing such a sign and intended to be used for labelling or packaging goods, as a business[4] paper in relation to goods, or for advertising goods[5]; or
(3) articles specifically designed or adapted for making copies of such a sign[6],

that person may apply for an order for the forfeiture of the goods, material or articles[7].

Such an application may be made: (a) where proceedings have been brought in any court for a relevant offence relating to some or all of the goods, material or articles, to that court; (b) where no application for the forfeiture of the goods, material or articles has been made under head (a) above, by way of complaint to a magistrates' court[8].

On such an application the court must make an order for the forfeiture of any goods, material or articles only if it is satisfied that a relevant offence has been committed in relation to the goods, material or articles[9]. A court may infer for these purposes that such an offence has been committed in relation to any goods, material or articles if it is satisfied that such an offence has been committed in relation to goods, material or articles which are representative of them, whether by reason of being of the same design or part of the same consignment or batch or otherwise[10].

Any person aggrieved by an order so made by a magistrates' court, or by a decision of such a court not to make such an order, may appeal against that order or decision to the Crown Court; and an order so made may contain such provision as appears to the court to be appropriate for delaying the coming into force of the order pending the making and determination of any appeal, including any application[11] for a statement of case[12].

Where any goods, material or articles are so forfeited, they must be destroyed in accordance with such directions as the court may give[13]; but, on so making an order, the court may, if it considers it appropriate to do so, direct that the goods, material or articles to which the order relates must (instead of being destroyed) be released, to such person as the court may specify, on condition that that person causes the offending sign to be erased, removed or obliterated and complies with any order to pay costs which has been made against him in the proceedings for the order for forfeiture[14].

1 This includes a local weights and measures authority: see the Trade Marks Act 1994 s 93; and para 146 post.

2 For these purposes, a 'relevant offence' means an offence under ibid s 92 (see paras 141–144 post) or under the Trade Descriptions Act 1968 (see SALE OF GOODS AND SUPPLY OF SERVICES vol 41 (2005 Reissue) para 475 et seq) or any offence involving dishonesty or deception: Trade Marks Act 1994 s 97(8).

3 Ibid s 97(1)(a). Section 97 also applies to protected international trade marks (UK): Trade Marks (International Registration) Order 1996, SI 1996/714, art 17. As to the application of this provision to Community trade marks see para 268 post. As to the meaning of 'registered trade mark' see para 127 ante. For the meaning of 'protected international trade mark (UK)' see para 13 ante.

4 For the meaning of 'business' see para 32 note 3 ante.

5 Trade Marks Act 1994 s 97(1)(b).

6 Ibid s 97(1)(c).

7 Ibid s 97(1). Forfeiture proceedings are civil proceedings, and as such fall within the Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial matters (Brussels, 27 September 1968; Cmnd 7395) (see para 250 post; and CONFLICT OF LAWS vol 8(3) (Reissue) para 65): *R v Crown Court at Harrow, ex p UNIC Centre Sarl* [2000] 2 All ER 449, [2000] 1 WLR 2112, sub nom *Unic Centre Sarl v Brent & Harrow Trading Standards Office* [2000] FSR 667.

As to the provisions permitting infringing goods, material or articles to be treated as prohibited goods see para 149 post.

8 Trade Marks Act 1994 s 97(2).

9 Ibid s 97(3).

10 Ibid s 97(4).

11 Ie under the Magistrates' Courts Act 1980 s 111: see MAGISTRATES vol 29(2) (Reissue) para 885 et seq.

12 Trade Marks Act 1994 s 97(5).

13 Ibid s 97(6).

14 Ibid s 97(7).

(ii) Unauthorised Use

141. Goods and packaging. A person commits an offence[1] who, with a view to[2] gain for himself or another, or with intent to cause loss to another, and without the consent of the proprietor[3]:

(1) applies to goods or their packaging a sign identical to, or likely to be mistaken for[4], a registered trade mark[5]; or

(2) sells or lets for hire, offers or exposes for sale or hire or distributes goods which bear, or the packaging of which bears, such a sign[6]; or

(3) has in his possession, custody or control in the course of a business[7] any such goods with a view to the doing of anything, by himself or another, which would be an offence under head (2) above[8].

A person guilty of an offence under head (1), head (2), or head (3) above is liable on conviction to imprisonment or a fine or both[9].

1 For an offence to be committed there must be civil infringement of the trade mark, and thus defences to infringement such as those under the Trade Marks Act 1994 s 11 (see paras 95–97 ante) are also defences under s 92: *R v Johnstone* [2003] UKHL 28, [2003] 3 All ER 884, [2003] 1 WLR 1736. Furthermore, infringement and the commission of an offence requires use of the sign in question as a trade mark: *R v Johnstone* supra; *R v Isaac* [2004] EWCA Crim 1082, 168 JP 417 (jury must be directed that offence is committed only when as a first element the offending sign is used as an indication of trade origin). The test as to whether a sign has been used as an indication of trade origin is how the use of the sign would be perceived by the average consumer of the type of goods in question: *R v Thompson* [2006] EWCA Crim 3058, [2006] All ER (D) 223 (Nov).

2 The words 'with a view to' encompass something that the defendant had in contemplation, not necessarily something he wanted or intended to happen but something which might realistically occur; they are to be contrasted with 'with intent to': *R v Zaman* [2002] EWCA Crim 1862, [2003] FSR 230.

3 Trade Marks Act 1994 s 92(1).

4 'Applies' should be given its ordinary meaning of placing the sign on the goods or causing it to be so placed, and not extended to include the sale or exposure for sale of goods: *Nottinghamshire County Council v Woolworths plc* [2007] FSR 489.

'Likely to be mistaken for' appears to be a narrower test than 'likelihood of confusion' under the Trade Marks Act 1994 s 10(2), since the latter compasses not only signs which the average consumer mistakes for a trade mark, but also those which he believes denote goods or services that come from the same or economically linked undertakings (see para 74 ante). Nevertheless surrounding circumstances must equally be discounted, since otherwise a vendor of counterfeit goods could escape liability by making it clear that they were not genuine: see *Akhtar v Grout* (1998) 162 JP 714, DC.

5 Trade Marks Act 1994 s 92(1)(a). As to the meaning of 'registered trade mark' see para 127 ante. This provision also applies to protected international trade marks (UK): Trade Marks (International Registration) Order 1996, SI 1996/714, art 17. As to the application of this provision to unauthorised use of a Community trade mark see para 268 post. For the meaning of 'protected international trade mark (UK)' see para 13 ante.

6 Trade Marks Act 1994 s 92(1)(b).

7 For the meaning of 'business' see para 32 note 3 ante. As to the meaning of 'in the course of business' see para 467 note 1 post.

8 Trade Marks Act 1994 s 92(1)(c).

9 Ibid s 92(6). Such a person is liable on conviction on indictment to imprisonment for a term not exceeding ten years or to a fine or to both, or on summary conviction to imprisonment for a term not exceeding six months or to a fine not exceeding the statutory maximum or to both: see s 92(6). The 'statutory maximum', with reference to a fine or penalty on summary conviction for an offence, is the prescribed sum within the meaning of the Magistrates' Courts Act 1980 s 32 (as amended): see the Interpretation Act 1978 s 5, Sch 1 (definition added by the Criminal Justice Act 1988 s 170(1), Sch 15 para 58); and CRIMINAL LAW, EVIDENCE AND PROCEDURE vol 11(4) (2006 Reissue) para 1674; MAGISTRATES vol 29(2) (Reissue) para 804. The 'prescribed sum' means £5,000 or such sum as is for the time being substituted in this definition by order under the Magistrates' Courts Act 1980 s 143(1) (as substituted): see s 32(9) (amended by the Criminal Justice Act 1991 s 17(2)); and CRIMINAL LAW, EVIDENCE AND PROCEDURE vol 11(4) (2006 Reissue) para 1675; MAGISTRATES vol 29(2) (Reissue) para 804.

As to sentencing see *R v Gleeson* [2001] EWCA Crim 2023, [2002] 1 Cr App Rep (S) 485, [2001] All ER (D) 22 (Oct) (potential loss to music industry resulting from unauthorised use of trade marks on

compact discs was factor relevant to level of sentence); *R v Neil Lesley Woolridge* [2005] EWCA Crim 1086, [2006] 1 Cr App Rep (S) 72. A conviction under the Trade Marks Act 1994 s 92 can found a confiscation order under the Criminal Justice Act 1988 s 71 (repealed: see now the Proceeds of Crime Act 2002 s 6; and CRIMINAL LAW, EVIDENCE AND PROCEDURE vol 11(4) (2006 Reissue) para 1743) even where the indictment did not allege selling or offering for sale the infringing goods: *R v Davies* [2003] EWCA Crim 3110, [2004] 2 All ER 706, [2004] FSR 486.

As to offences committed by partnerships and bodies corporate see para 139 ante. For exceptions and defences see para 144 post. As to the power to issue search warrants see para 145 post.

142. Material for packaging etc. A person commits an offence[1] who with a view to[2] gain for himself or another, or with intent to cause loss to another, and without the consent of the proprietor[3]:

(1) applies a sign identical to, or likely to be mistaken for[4], a registered trade mark[5] to material intended to be used for labelling or packaging goods, as a business[6] paper in relation to goods, or for advertising goods[7]; or

(2) uses in the course of a business material bearing such a sign for labelling or packaging goods, as a business paper in relation to goods, or for advertising goods[8]; or

(3) has in his possession, custody or control in the course of a business any such material with a view to the doing of anything, by himself or another, which would be an offence under head (2) above[9].

A person guilty of an offence under head (1), head (2), or head (3) above is liable on conviction to imprisonment or a fine or both[10].

1 As to committing an offence see para 141 note 1 ante.
2 As to the meaning of 'with a view to' see para 141 note 2 ante.
3 Trade Marks Act 1994 s 92(2).
4 As to the meaning of 'likely to be mistaken for' see para 141 note 4 ante.
5 As to the meaning of 'registered trade mark' see para 127 ante. This provision also applies to protected international trade marks (UK): Trade Marks (International Registration) Order 1996, SI 1996/714, art 17. As to the application of this provision to Community trade marks see para 268 post. For the meaning of 'protected international trade mark (UK)' see para 13 ante.
6 For the meaning of 'business' see para 32 note 3 ante.
7 Trade Marks Act 1994 s 92(2)(a).
8 Ibid s 92(2)(b).
9 Ibid s 92(2)(c).
10 Ibid s 92(6). Such a person is liable on conviction on indictment to imprisonment for a term not exceeding ten years or to a fine or to both, or on summary conviction to imprisonment for a term not exceeding six months or to a fine not exceeding the statutory maximum or to both: see s 92(6). As to the statutory maximum, and as to sentencing, see para 141 note 9 ante. As to offences committed by partnerships and bodies corporate see para 139 ante. For exceptions and defences see para 144 post. As to the power to issue search warrants see para 145 post.

143. Making and possessing copies of a sign. A person commits an offence[1] who with a view to gain[2] for himself or another, or with intent to cause loss to another, and without the consent of the proprietor[3]:

(1) makes an article specifically designed or adapted for making copies of a sign identical to, or likely to be mistaken for[4], a registered trade mark[5]; or

(2) has such an article in his possession, custody or control in the course of a business[6],

knowing or having reason to believe that it has been, or is to be, used to produce goods, or material for labelling or packaging goods, as a business paper in relation to goods, or for advertising goods[7].

A person guilty of an offence under head (1), head (2), or head (3) above is liable on conviction to imprisonment or a fine or both[8].

1 As to committing an offence see para 141 note 1 ante.

2 As to the meaning of 'with a view to gain' see para 141 note 2 ante.
3 Trade Marks Act 1994 s 92(3).
4 As to the meaning of 'likely to be mistaken for' see para 141 note 4.
5 Trade Marks Act 1994 s 92(3)(a). As to the meaning of 'registered trade mark' see para 127 ante. This provision also applies to protected international trade marks (UK): Trade Marks (International Registration) Order 1996, SI 1996/714, art 17. As to the application of this provision to Community trade marks see para 268 post. For the meaning of 'protected international trade mark (UK)' see para 13 ante.
6 Trade Marks Act 1994 s 92(3)(b). For the meaning of 'business' see para 32 note 3 ante.
7 Ibid s 92(3).
8 Ibid s 92(6). Such a person is liable on conviction on indictment to imprisonment for a term not exceeding ten years or to a fine or to both, or on summary conviction to imprisonment for a term not exceeding six months or to a fine not exceeding the statutory maximum or to both: see s 92(6). As to the statutory maximum, and as to sentencing, see para 141 note 9 ante. As to offences committed by partnerships and bodies corporate see para 139 ante. For exceptions and defences see para 144 post. As to the power to issue search warrants see para 145 post.

144. Exceptions and defences. A person does not commit an offence of the unauthorised use of a trade mark etc in relation to goods[1] unless the goods are goods in respect of which the trade mark[2] is registered[3] or the trade mark has a reputation in the United Kingdom[4] and the use of the sign takes or would take unfair advantage of, or is or would be detrimental to, the distinctive character or the repute of the trade mark[5].

It is a defence for a person charged with any such offence to show that he believed on reasonable grounds that the use of the sign in the manner in which it was used, or was to be used, was not an infringement of the registered trade mark[6].

1 Ie an offence under the Trade Marks Act 1994 s 92(1)–(3): see paras 141–143 ante. This provision also applies to protected international trade marks (UK): Trade Marks (International Registration) Order 1996, SI 1996/714, art 17. As to the application of this provision to Community trade marks see para 268 post. For the meaning of 'protected international trade mark (UK)' see para 13 ante.
2 For the meaning of 'trade mark' see para 57 ante.
3 For the meaning of 'registered' see para 19 note 2 ante.
4 For the meaning of 'United Kingdom' see para 3 note 2 ante.
5 Trade Marks Act 1994 s 92(4). As to tests of taking unfair advantage of, and detriment to, the distinctive character or repute of a trade see para 76 ante.
6 Ibid s 92(5).The onus of proof is on the person charged, who bears a persuasive burden to prove the defence on the balance of probabilities: *R v Johnstone* [2003] UKHL 28, [2003] 3 All ER 884, [2003] 1 WLR 1736. The Trade Marks Act 1994 s 92(5) extends to an honest and reasonable belief that the mark concerned is not registered: *R v Johnstone* supra.

145. Search warrants. Where a justice of the peace is satisfied by information on oath given by a constable that there are reasonable grounds for believing that an offence in relation to the unauthorised use of a trade mark in relation to goods[1] has been or is about to be committed in any premises[2], and that evidence that such an offence has been or is about to be committed is in those premises, he may issue a warrant authorising a constable to enter and search the premises, using such reasonable force as is necessary[3]. A warrant may authorise persons to accompany any constable executing the warrants, and remains in force for three months from the date of its issue[4]. In executing a warrant issued these provisions a constable may seize any article if he reasonably believes that it is evidence that an offence[5] has been or is about to be committed[6].

1 Ie an offence under the Trade Marks Act 1994 s 92: see paras 141–144 ante.
2 'Premises' includes land, buildings, fixed or movable structures, vehicles, vessels, aircraft and hovercraft: ibid s 92A(5) (s 92A added by the Copyright etc and Trade Marks (Offences and Enforcement) Act 2002 s 6).
3 The Trade Marks Act 1994 s 92A(1) (as added: see note 2 supra). The power conferred by s 92A(1) (as added) does not extend to authorising a search for certain classes of personal or confidential material contained in the Police and Criminal Evidence Act 1984 s 9(2) (see CRIMINAL LAW, EVIDENCE AND PROCEDURE vol 11(2) (2006 Reissue) para 874): Trade Marks Act 1994 s 92A(2) (as so added).

4 Ibid s 92A(3) (as added (see note 2 supra); and amended by the Serious Organised Crime and Police Act 2005 s 174(1), Sch 16 para 8).
5 Ie an offence under the Trade Marks Act 1994 s 92: see paras 141–144 ante.
6 Ibid s 92A(4) (as added: see note 2 supra).

146. Enforcement function of local weights and measures authority. It is the duty of every local weights and measures authority[1] to enforce within its area the statutory provisions[2] relating to the unauthorised use of a trade mark etc in relation to goods[3].

1 The local weights and measures authorities are: (1) in England: (a) for each non-metropolitan county, metropolitan district and London borough, the council of that county, district or borough; (b) for the City of London and the Inner and Middle Temples, the Common Council of the City of London; and (c) for the Isles of Scilly, the Council of the Isles of Scilly (Weights and Measures Act 1985 s 69(1)); and (2) in Wales: (a) for each county, the county council; and (b) for each county borough, the county borough council (s 69(2) (amended by the Local Government (Wales) Act 1994 s 66(6), Sch 16 para 75)). As to the duties and functions of such authorities see the Weights and Measures Act 1985 Pt VI (ss 69–78); and WEIGHTS AND MEASURES vol 50 (2005 Reissue) para 20 et seq.
2 Ie the Trade Marks Act 1994 s 92 (see paras 141–144 ante), including such provisions in so far as they apply to Community trade marks (see para 268 post). This provision also applies to protected international trade marks (UK): Trade Marks (International Registration) Order 1996, SI 1996/714, art 17. For the meaning of 'protected international trade mark (UK)' see para 13 ante. The following provisions of the Trade Descriptions Act 1968 apply in relation to the enforcement of the Trade Marks Act 1994 s 92 as in relation to the enforcement of the Trade Descriptions Act 1968: s 27 (power to make test purchases), s 28 (as amended) (power to enter premises and inspect and seize goods and documents), s 29 (as amended) (obstruction of authorised officers), s 33 (compensation for the loss etc of goods seized) (see SALE OF GOODS AND SUPPLY OF SERVICES vol 41 (2005 Reissue) para 507 et seq): Trade Marks Act 1994 s 93(2).
3 Ibid s 93(1). This provision does not, however, apply in relation to the enforcement of s 92 in Northern Ireland. As to enforcement in Northern Ireland see s 93(3). Nothing in s 93 is to be construed as authorising a local weights and measures authority to bring proceedings in Scotland for an offence: s 93(5).

Any enactment which authorises the disclosure of information for the purpose of facilitating the enforcement of the Trade Descriptions Act 1968 applies as if the Trade Marks Act 1994 s 92 were contained in the Trade Descriptions Act 1968 and as if the functions of any person in relation to the enforcement of the Trade Marks Act 1994 s 92 were functions under the Trade Descriptions Act 1968: Trade Marks Act 1994 s 93(4).

(iii) Other Offences

147. Falsification of register etc. It is an offence for a person to make, or cause to be made, a false entry in the register of trade marks[1], knowing or having reason to believe that it is false[2].

It is also an offence for a person:

(1) to make or cause to be made anything falsely purporting to be a copy of an entry in the register; or
(2) to produce or tender or cause to be produced or tendered in evidence any such thing,

knowing or having reason to believe that it is false[3].

A person guilty of such an offence is liable on conviction to imprisonment or a fine or both[4].

1 As to the register see para 19 ante. For the meaning of 'trade mark' see para 57 ante.
2 Trade Marks Act 1994 s 94(1).
3 Ibid s 94(2).
4 Ibid s 94(3). Such a person is liable on conviction on indictment to imprisonment for a term not exceeding two years or to a fine or to both, or on summary conviction to imprisonment for a term not exceeding six months or to a fine not exceeding the statutory maximum or to both: see s 94(3). As to the statutory maximum see para 141 note 9 ante. As to offences committed by partnerships and bodies corporate see para 139 ante.

148. Falsely representing trade mark as registered. It is an offence for a person:

(1) falsely to represent that a mark is a registered trade mark[1] or a protected international trade mark (UK)[2]; or

(2) to make a false representation as to the goods or services for which a trade mark is registered, or as to the goods or services covered by a protected international trade mark (UK),

knowing or having reason to believe that the representation is false[3]. A person guilty of such an offence is liable on conviction to a fine[4].

For these purposes, the use[5] in the United Kingdom[6] in relation to a trade mark of the word 'registered' or of any other word or symbol importing a reference, express or implied, to registration, is deemed to be a representation as to registration under the Trade Marks Act 1994 unless it is shown that the reference is to registration elsewhere than in the United Kingdom and that the trade mark is in fact so registered for the goods or services in question[7].

The use of the words 'trade mark' in respect of an unregistered trade mark does not necessarily constitute an offence under head (1) or head (2) above[8]. Where a false representation as to registration has been made, this may affect a claim in passing off[9] or a claim that a mark has become distinctive by use[10].

1 As to the meaning of 'registered trade mark' see para 127 ante.
2 For the meaning of 'protected international trade mark (UK)' see para 13 ante.
3 Trade Marks Act 1994 s 95(1); Trade Marks (International Registration) Order 1996, SI 1996/714, art 18(1).
4 Trade Marks Act 1994 s 95(3); Trade Marks (International Registration) Order 1996, SI 1996/714, art 18(2). Such a person is liable on summary conviction to a fine not exceeding level 3 on the standard scale: see Trade Marks Act 1994 s 95(3); and the Trade Marks (International Registration) Order 1996, SI 1996/714, art 18(2). As to the standard scale see para 32 note 13 ante. As to offences committed by partnerships and bodies corporate see para 139 ante.
5 For the meaning of 'use' see para 60 note 8 ante.
6 For the meaning of 'United Kingdom' see para 3 note 2 ante.
7 Trade Marks Act 1994 s 95(2). There is no express reference in the Trade Marks Act 1994 to the symbol ®, but s 95 will cover the use of it. It is sufficient for this purpose that the reference is consistent with registration outside the United Kingdom and that such registration exists: *Second Sight Ltd v Novell UK Ltd* [1995] RPC 423.
8 *Sen Sen Co v Britten* [1899] 1 Ch 692, 16 RPC 137.
9 As to passing off see para 304 et seq post.
10 See para 101 note 5 ante.

(9) IMPORTATION; POWERS OF THE COMMISSIONERS FOR HER MAJESTY'S REVENUE AND CUSTOMS

149. Infringing goods, material or articles to be treated as prohibited goods. The proprietor of a registered trade mark[1], or a licensee[2], may give notice in writing to the Commissioners for Her Majesty's Revenue and Customs[3]:

(1) that he is the proprietor or, as the case may be, a licensee of the registered trade mark[4];

(2) that, at a time and place specified in the notice, goods which are, in relation to that registered trade mark, infringing goods[5], material[6] or articles[7] are expected to arrive in the United Kingdom[8] from outside the European Economic Area ('EEA')[9] or from within the EEA but not having been entered for free circulation[10]; and

(3) that he requests the Commissioners to treat them as prohibited goods[11].

When such a notice is in force, the importation of the goods to which the notice relates, otherwise than by a person for his private and domestic use, is prohibited; but a person is not by reason of the prohibition liable to any penalty other than forfeiture of the goods[12].

The above provisions do not apply to goods placed in, or expected to be placed in, one of the following situations[13]:

(a) when they are entered for release for free circulation, export or re-export;

(b) when they are found during checks on goods entering or leaving the Community customs territory, placed under a suspensive procedure, in the process of being re-exported subject to notification or placed in a free zone or free warehouse,

in respect of which an application may be made under the European Community measures[14] laid down to prohibit the release of counterfeit and pirated goods[15].

1 As to the meaning of 'registered trade mark' see para 127 ante. These provisions also apply to protected international trade marks (UK): Trade Marks (International Registration) Order 1996, SI 1996/714, art 16. For the meaning of 'protected international trade mark (UK)' see para 13 ante. As to the application of these provisions to Community trade marks see para 267 post.

2 As to licences see paras 136–137 ante.

3 Trade Marks Act 1994 s 89(1) (amended by virtue of the Commissioners for Revenue and Customs Act 2005 s 50(1), (7)). As to the Commissioners for Her Majesty's Revenue and Customs see CUSTOMS AND EXCISE vol 12(3) (2007 Reissue) para 900 et seq. As to the form in which the notice is to be given see para 151 post.

The Trade Marks Act 1994 s 89(1) (as amended) applies in relation to an authorised user of a registered collective mark or a registered certification mark as in relation to a licensee of a trade mark: see ss 49(2), 50(2), Sch 1 para 11(c), Sch 2 para 13(c); and paras 162, 173 post.

4 Ibid s 89(1)(a).

5 For the meaning of 'infringing goods' see para 150 post.

6 For the meaning of 'infringing material' see para 150 post.

7 For the meaning of 'infringing articles' see para 150 post.

8 For the meaning of 'United Kingdom' see para 3 note 2 ante.

9 As to the EEA see para 102 note 6 ante.

10 Trade Marks Act 1994 s 89(1)(b).

11 Ibid s 89(1)(c).

12 Ibid s 89(2).

13 Ie the situations referred to in EC Council Regulation 1383/2003 (OJ L196, 2.8.2003, p 7) concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights, art 1(1): Trade Marks Act 1994 s 89(3) (substituted by the Goods Infringing Intellectual Property Rights (Customs) Regulations 2004, SI 2004/1473, reg 13).

See *Pointing v Customs and Excise Comrs* [1999] FSR 394 (customs officers may initiate a court action to determine whether the goods are counterfeit, but it is for the court to make the final decision).

14 Ie under EC Council Regulation 1383/2003 (OJ L196, 2.8.2003, p 7) art 5(1): Trade Marks Act 1994 s 89(3) (as substituted: see note 13 supra). See *Pointing v Customs and Excise Comrs* [1999] FSR 394.

15 Trade Marks Act 1994 s 89(3) (as substituted: see note 13 supra).

150. Meaning of 'infringing goods', 'infringing material' and 'infringing articles'. The expressions 'infringing goods', 'infringing material' and 'infringing articles' are to be construed as follows[1].

Goods are 'infringing goods', in relation to a registered trade mark[2], if they or their packaging bear a sign identical or similar to that mark[3] and:

(1) the application of the sign to the goods or their packaging was an infringement[4] of the registered trade mark[5]; or

(2) the goods are proposed to be imported into the United Kingdom[6] and the application of the sign in the United Kingdom to them or their packaging would be an infringement of the registered trade mark[7]; or

(3) the sign has otherwise been used in relation to the goods in such a way as to infringe the registered trade mark[8].

Nothing in the above provisions is, however, to be construed as affecting the importation of goods which may lawfully be imported into the United Kingdom by virtue of an enforceable Community right[9].

Material is 'infringing material', in relation to a registered trade mark, if it bears a sign identical or similar to that mark[10] and either: (a) it is used for labelling or packaging goods, as a business[11] paper, or for advertising goods or services, in such a way as to infringe the registered trade mark[12]; or (b) it is intended to be so used and such use would infringe the registered trade mark[13].

'Infringing articles', in relation to a registered trade mark, means[14] articles: (i) which are specifically designed or adapted for making copies of a sign identical or similar to that mark[15]; and (ii) which a person has in his possession, custody or control, knowing or having reason to believe that they have been or are to be used to produce infringing goods or material[16].

1 Trade Marks Act 1994 s 17(1).
2 As to the meaning of 'registered trade mark' see para 127 ante. As to protected international trade marks (UK) see the Trade Marks (International Registration) Order 1996, SI 1996/714, art 16. For the meaning of 'protected international trademark (UK)' see para 13 ante. As to the application of these provisions to Community trade marks see para 267 post.
3 Trade Marks Act 1994 s 17(2).
4 For the meaning of 'infringement' see para 84 note 4 ante. As to the acts which amount to infringement, if done without the consent of the proprietor, see ibid s 10; and para 86 et seq ante.
5 Ibid s 17(2)(a).
6 For the meaning of 'United Kingdom' see para 3 note 2 ante.
7 Trade Marks Act 1994 s 17(2)(b).
8 Ibid s 17(2)(c).
9 Ibid s 17(3). For the meaning of 'enforceable Community right' see the European Communities Act 1972 s 2(1); and the Interpretation Act 1978 s 5, Sch 1. As to the prohibition of the importation of infringing goods, materials or articles see para 149 ante.
10 Trade Marks Act 1994 s 17(4).
11 For the meaning of 'business' see para 32 note 3 ante.
12 Trade Marks Act 1994 s 17(4)(a).
13 Ibid s 17(4)(b).
14 Ibid s 17(5).
15 Ibid s 17(5)(a).
16 Ibid s 17(5)(b).

151. Power of the Commissioners for Revenue and Customs to make regulations. The Commissioners for Her Majesty's Revenue and Customs[1] may make regulations prescribing the form in which notice is to be given requiring goods, materials or articles to be treated as prohibited goods[2] and requiring a person giving notice: (1) to furnish the Commissioners with such evidence as may be specified in the regulations, either on giving notice or when the goods are imported, or at both those times; and (2) to comply with such other conditions as may be specified in the regulations[3].

The regulations may, in particular, require a person giving such a notice: (a) to pay such fees in respect of the notice as may be specified by the regulations; (b) to give such security as may be so specified in respect of any liability or expense which the Commissioners may incur in consequence of the notice by reason of the detention of any goods or anything done to goods detained; (c) to indemnify the Commissioners against any such liability or expense, whether security has been given or not[4].

If notice is given[5] by the proprietor or licensee of a registered trade mark in respect of certain goods, it must be in the prescribed form[6] or a form to the like effect approved by the Commissioners; and separate notices must be given in respect each arrival of such

goods[7]. A fee in respect of each notice must be paid to the Commissioners at the time it is given[8]. The person giving the notice must give to the Commissioners such security or further security within such time and in such manner, whether by deposit of a sum of money or guarantee, as the Commissioners may require, in respect of any liability or expense which they may incur in consequence of the notice by reason of the detention of any goods or anything done to goods so detained; and, if such security or further security is not given within the time specified by the Commissioners, the notice has no effect[9]. In every case, however, whether any security or further security is given or not, the person who has given the notice must keep the Commissioners indemnified against all such liability and expense[10].

The person giving the notice must, either on giving notice or when the goods are imported, furnish the Commissioners with the certificate of registration[11], or a copy of it, issued by the registrar[12] on the registration of the trade mark specified in the notice, together with evidence that such registration was duly renewed[13] at all such times as it may have expired[14]. If such a certificate or copy and, where applicable, evidence of renewal is not so furnished, the goods may not be detained or, if detained, must be released and any notice given in respect of them has no effect[15].

1 As to the Commissioners for Her Majesty's Revenue and Customs see CUSTOMS AND EXCISE vol 12(3) (2007 Reissue) para 900 et seq.
2 Ie notice under the Trade Marks Act 1994 s 89 (as amended): see para 149 ante.
3 Ibid s 90(1) (amended by virtue of the Commissioners for Revenue and Customs Act 2005 s 50(1), (7)). The regulations may make different provision as respects different classes of case to which they apply and may include such incidental and supplementary provisions as the Commissioners consider expedient: Trade Marks Act 1994 s 90(3). Any such regulations must be made by statutory instrument which is subject to annulment in pursuance of a resolution of either House of Parliament: s 90(4). As to the regulations that have been made see the Trade Marks (Customs) Regulations 1994, SI 1994/2625, which came into force on 31 October 1994 (see reg 1). See further the text and notes 5–15 infra.

These provisions also apply to protected international trade marks (UK): Trade Marks (International Registration) Order 1996, SI 1996/714, art 16. For the meaning of 'protected international mark (UK)' see para 13 ante. As to the application of these provisions to Community trade marks see para 267 post.
4 Trade Marks Act 1994 s 90(2).
5 Ie under ibid s 89(1) (as amended): see para 149 ante.
6 For the prescribed form of notice see the Trade Marks (Customs) Regulations 1994, SI 1994/2625, reg 2, Schedule.
7 Ibid reg 2.
8 Ibid reg 3. The fee is currently £30 plus VAT: reg 3.
9 Ibid reg 4, which is expressed to be without prejudice to the operation of reg 5 (see the text to note 10 infra).
10 Ibid reg 5.
11 As to the issue of a certificate of registration see para 388 ante.
12 As to the registrar see para 17 ante.
13 As to renewal see para 29 ante.
14 Trade Marks (Customs) Regulations 1994, SI 1994/2625, reg 6(1).
15 Ibid reg 6(2), which is expressed to be without prejudice to the operation of reg 5 (see the text to note 10 supra).

152. Power of the Commissioners for Revenue and Customs to disclose information. Where information relating to infringing goods[1], material[2] or articles[3] has been obtained or is held by the Commissioners for Her Majesty's Revenue and Customs[4] for the purposes of, or in connection with, the exercise of their functions in relation to imported goods, the Commissioners may authorise the disclosure of that information for the purpose of facilitating the exercise by any person of any function in connection with the investigation or prosecution of an offence relating to the unauthorised use of trade marks etc in relation to goods[5] or under the Trade Descriptions Act 1968[6]. In civil proceedings the Commissioners can be ordered by a

court to disclose information relating to the identity of an infringer pursuant to the court's powers to order disclosure from a party who, even if innocently, has become involved in wrongdoing[7].

1 For the meaning of 'infringing goods' see para 150 ante.
2 For the meaning of 'infringing material' see para 150 ante.
3 For the meaning of 'infringing articles' see para 150 ante.
4 As to the Commissioners for Her Majesty's Revenue and Customs see CUSTOMS AND EXCISE vol 12(3) (2007 Reissue) para 900 et seq.
5 Ie an offence under the Trade Marks Act 1994 s 92: see paras 141–144 ante.
6 Ibid s 91 (amended by the Commissioners for Revenue and Customs Act 2005 s 50(6), Sch 4 para 58). These provisions also apply to protected international trade marks (UK): Trade Marks (International Registration) Order 1996, SI 1996/714, art 16. For the meaning of 'protected international trade mark (UK)' see para 13 ante. As to the application of these provisions to Community trade marks see para 267 post.
7 See *Norwich Pharmacal Co v Customs and Excise Comrs* [1974] AC 133, [1973] 2 All ER 943, [1974] RPC 101, HL; and para 453 post.

(10) THE PARIS CONVENTION AND THE WTO AGREEMENT; SPECIAL PROVISIONS

153. Protection of well known trade marks. References in the Trade Marks Act 1994 to a trade mark[1] which is entitled to protection under the Paris Convention[2] or the WTO Agreement[3] as a well known trade mark are to a mark which is well known[4] in the United Kingdom[5] as being the mark of a person who:

(1) is a national of a Convention country[6]; or
(2) is domiciled[7] in, or has a real and effective industrial or commercial establishment in, a Convention country,

whether or not that person carries on business[8], or has any goodwill[9], in the United Kingdom; and references to the proprietor of such a mark are to be construed accordingly[10].

The proprietor of a trade mark which is entitled to protection under the Paris Convention or the WTO Agreement as a well known trade mark is entitled to restrain by injunction the use[11] in the United Kingdom of a trade mark which, or the essential part of which, is identical or similar[12] to his mark, in relation to identical or similar goods or services, where the use is likely to cause confusion[13].

1 For the meaning of 'trade mark' see para 57 ante.
2 As to the Paris Convention see para 6 ante.
3 As to the WTO Agreement and its relationship to the Paris Convention see para 7 ante.
4 A trade mark can only be well known in respect of the goods or services in relation to which it had been used: *PACO/PACO LIFE IN COLOUR Trade Marks* [2000] RPC 451, Trade Marks Registry. In assessing whether a trade mark is well known it is appropriate to apply the criteria set out in the Joint Recommendation Concerning Provision on the Protection of Well Known Marks of the Paris Union and the World Intellectual Property Organisation (1999), art 2: *Le Mans Autoparts Ltd's Trade Mark Application* (O/012/05), Appointed Person.
5 For the meaning of 'United Kingdom' see para 3 note 2 ante.
6 For the meaning of 'Convention country' see para 6 note 2 ante. It has been held that the exclusion of the United Kingdom from the definition of 'Convention country' means that a person who is a national of, or domiciled or established in, the United Kingdom cannot invoke the Trade Marks Act s 56 (*CUTTY SARK Trade Mark* (O/285/01), Trade Marks Registry) but this may require reconsideration (*Imperial Tobacco Ltd v Berry Bros & Rudd Ltd* [2001] All ER (D) 447 (Oct)).
7 As to domicile see CONFLICT OF LAWS vol 8(3) (Reissue) para 35 et seq.
8 For the meaning of 'business' see para 32 note 3 ante.
9 As to goodwill see PERSONAL PROPERTY vol 35 (Reissue) paras 1206–1210.
10 Trade Marks Act 1994 s 56(1) (s 56(1), (2) amended by the Patents and Trade Marks (World Trade Organisation) Regulations 1999, SI 1999/1899, reg 13(4)). This provision implements the International Convention for the Protection of Industrial Property (Paris, 20 March 1883) (the 'Paris Convention'), as

revised (Stockholm, 14 July 1967 to 13 January 1968; TS 61 (1970); Cmnd 4431), art 6 (bis) and the Agreement on Trade-Related Aspects of Intellectual Property Rights ('TRIPs') (1994) (Cm 2557) art 16(2). As to the Paris Convention see para 6 ante; and as to TRIPs see para 7 ante.

The Trade Marks Act 1994 s 56 (now amended) overcomes the problem in passing off that certain marks, whilst they had a reputation in the United Kingdom, had no goodwill here because the proprietor had no trade in his goods or service here: see e g *Star Industrial Co Ltd v Yap Kwee Kor (t/a New Star Industrial Co)* [1976] FSR 256, PC; *Alain Bernardin & Cie v Pavilion Properties Ltd* [1967] RPC 581 ('Crazy Horse'). But, while the Trade Marks Act 1994 s 56 (now amended) removes the need for the proprietor to have a trade in the United Kingdom, he still needs to establish a likelihood of confusion to avail himself of the provision: *Philips Electronics BV v Remington Consumer Products Ltd* [1998] RPC 283 at 314 per Jacob J; affd [1999] RPC 809, [1999] All ER (D) 465, CA; referred to ECJ sub nom C-299/99 *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* [2003] Ch 159, [2002] ECR I-5475, ECJ.

As to the non-implementation of TRIPs art 16(3) see para 7 note 13 ante.

11 For the meaning of 'use' see para 60 note 8 ante.

12 As to the requirement of similarity see para 7 note 11 ante.

13 Trade Marks Act 1994 s 56(2) (as amended: see note 10 supra). The right so conferred is subject to s 48 (effect of acquiescence by the proprietor of an earlier mark: see para 99 ante): s 56(2) (as so amended). Nothing in s 56(2) (as amended) affects the continuation of any bona fide use of a trade mark begun before 31 October 1994: s 56(3). See also note 10 supra.

154. Attempts by agent or representative to register mark of principal; right of principal to injunction. Where an application for registration[1] of a trade mark[2] is made by a person who is an agent or representative[3] of a person who is the proprietor of the mark in a Convention country[4], the following provisions apply[5].

If the proprietor opposes the application, registration must be refused[6]. If the application is granted, the proprietor may[7]:

(1) apply for a declaration of the invalidity of the registration[8]; or

(2) apply for the rectification of the register[9] so as to substitute his name as the proprietor of the registered trade mark[10].

The proprietor may, notwithstanding the rights conferred by the Trade Marks Act 1994 in relation to a registered trade mark, by injunction restrain any use[11] of the trade mark in the United Kingdom[12] which is not authorised by him[13].

The above provisions[14] do not apply if, or to the extent that, the agent or representative justifies his action[15].

1 As to the requirements for registration see para 55 et seq ante; and as to the procedure on the application see para 352 et seq post.

2 For the meaning of 'trade mark' see para 57 ante.

3 'Agent or representative' is to be broadly construed as including licensees, franchisees, distributors and importers: Decision 164C/000548644/1 *Promat Ltd v Pasture BV* (19 December 2002, unreported), OHIM Cancellation Division; Case R 336/2001–2 *Sotorock Holding Ltd v Gordon* (7 July 2003, unreported), OHIM Board of Appeal; Decision 2486/2004 *Sybex Inc v Sybex-Verlag GmbH* (26 July 2004, unreported), OHIM Opposition Division. The agency must relate to the United Kingdom: c f Decision 1131/2003 *NuScience Corpn v Basic Fashion Oy* (28 May 2003, unreported), OHIM Opposition Division.

4 For the meaning of 'Convention country' see para 6 note 2 ante.

5 Trade Marks Act 1994 s 60(1). Section 60 implements the International Convention for the Protection of Industrial Property (Paris, 20 March 1883) (the 'Paris Convention'), as revised (Stockholm, 14 July 1967 to 13 January 1968; TS 61 (1970); Cmnd 4431), art 6 (septies). As to the Paris Convention see para 6 ante.

6 Trade Marks Act 1994 s 60(2). See also note 5 supra.

7 Ibid s 60(3). See also note 5 supra.

8 Ibid s 60(3)(a). As to the grounds for a declaration of invalidity of registration see para 118 et seq ante. See also note 5 supra.

9 As to the register see para 19 ante.

10 Trade Marks Act 1994 s 60(3)(b). See also note 5 supra. An application under s 60(3)(a) or (b) (see heads (1), (2) in the text) must be made within three years of the proprietor becoming aware of the registration: s 60(6). As to the meaning of 'registered trade mark' see para 127 ante.

11 For the meaning of 'use' see para 60 note 8 ante.

12 For the meaning of 'United Kingdom' see para 3 note 2 ante.

13 Trade Marks Act 1994 s 60(4). See also note 5 supra. It would seem that the right so conferred is dependent upon the agent's having applied to register the trade mark himself.

No injunction may be so granted in respect of a use in which the proprietor has acquiesced for a continuous period of three years or more: s 60(6).

14 Ie ibid s 60(2)–(4): see the text to notes 6–13 supra.

15 Ibid s 60(5). It is presumed that consent by the proprietor would constitute justification: cf EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 8(3); and para 223 post. The fact that the proprietor is unwilling to incur the expense of registering a trade mark does not justify an agent in registering it in his own name: Case R 336/2001–2 *Sotorock Holding Ltd v Gordon* (7 July 2003, unreported), OHIM Board of Appeal.

(11) COLLECTIVE MARKS

(i) In general

155. Nature of collective marks. A collective mark is a mark distinguishing the goods or services of members of the association which is the proprietor of the mark from those of other undertakings[1].

Subject to certain modifications[2], the provisions of the Trade Marks Act 1994 apply to collective marks[3].

1 Trade Marks Act 1994 s 49(1). A collective mark is a form of registered mark introduced by the Trade Marks Act 1994. It is essentially for trade associations, giving an indication that the goods or services are those of recognised members of the association which is proprietor. Collective marks are permitted by EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 10.

In relation to a collective mark, the reference in the Trade Marks Act 1994 s 1(1) (signs of which a trade mark may consist: see para 57 ante) to distinguishing goods or services of one undertaking from those of other undertakings is to be construed as a reference to distinguishing goods or services of members of the association which is the proprietor of the mark from those of other undertakings: s 49(2), Sch 1 para 2.

2 Ie subject to the provisions of ibid Sch 1: see note 1 supra; and para 156 et seq post.

3 Ibid Sch 1 para 1.

156. Indication of geographical origin. A collective mark[1] may be registered[2] which consists of signs or indications which may serve, in trade[3], to designate the geographical origin of the goods or services[4]. The proprietor of such a mark is, however, not entitled to prohibit the use[5] of the signs or indications in accordance with honest practices in industrial or commercial matters (in particular, by a person who is entitled to use a geographical name)[6].

1 For the meaning of 'collective mark' see para 155 ante.

2 Ie notwithstanding the Trade Marks Act 1994 s 3(1)(c) (prohibition on registration of marks consisting of an indication of geographical origin): see para 60 head (2) ante.

3 As to the meaning of 'trade' see para 60 note 4 ante.

4 Trade Marks Act 1994 s 49(2), Sch 1 para 3(1).

5 For the meaning of 'use' see para 60 note 8 ante.

6 Trade Marks Act 1994 Sch 1 para 3(2).

157. Mark not to be misleading as to character or significance. A collective mark[1] may not be registered if the public is liable to be misled as regards the character or significance of the mark, in particular if it is likely to be taken to be something other than a collective mark[2]. The registrar[3] may accordingly require that a mark in respect of which application is made for registration[4] should include some indication that it is a collective mark[5]. An application may be amended[6] so as to comply with any such requirement[7].

1 For the meaning of 'collective mark' see para 155 ante.

2 Trade Marks Act 1994 s 49(2), Sch 1 para 4(1).
3 As to the registrar see para 17 ante.
4 As to procedure on the application see para 352 et seq post.
5 Trade Marks Act 1994 Sch 1 para 4(2).
6 Ie notwithstanding ibid s 39(2): see para 375 post.
7 Ibid Sch 1 para 4(2).

(ii) Regulations

158. Regulations governing use of collective mark. An applicant for registration of a collective mark[1] must file with the registrar[2] regulations governing the use[3] of the mark[4]. The regulations must specify the persons authorised to use the mark, the conditions of membership of the association and, where they exist, the conditions of use of the mark, including any sanctions against misuse[5]. Further requirements with which the regulations have to comply may be imposed by rules[6].

1 For the meaning of 'collective mark' see para 155 ante.
2 As to the registrar see para 17 ante.
3 For the meaning of 'use' see para 60 note 8 ante.
4 Trade Marks Act 1994 s 49(2), Sch 1 para 5(1). As to approval of the regulations see para 159 post.
5 Ibid Sch 1 para 5(2).
6 Ibid Sch 1 para 5(2).

159. Approval of regulations. A collective mark[1] may not be registered unless the regulations governing the use of the mark[2] comply with the statutory requirements[3] and any further requirements imposed by rules[4] and are not contrary to public policy or to accepted principles of morality[5].

Within nine months of the date of the application for registration of a collective mark, the applicant must file the appropriate form[6] with the registrar[7] accompanied by a copy of the regulations governing the use of the mark and pay the prescribed fee[8]. If he does not do so, the application is deemed to be withdrawn[9].

The registrar must consider whether the above requirements[10] are met[11]. If it appears to the registrar that those requirements are not met, he must inform the applicant and give him an opportunity, within such period as the registrar may specify, to make representations or to file amended regulations[12]. If the applicant fails to satisfy the registrar that those requirements are met, or to file regulations amended so as to meet them, or to respond before the end of the specified period, the registrar must refuse the application[13]. If, however, it appears to the registrar that those requirements, and the other requirements for registration, are met, he must accept the application and must proceed[14] accordingly[15].

1 For the meaning of 'collective mark' see para 155 ante.
2 As to the regulations see para 158 ante.
3 Ie the Trade Marks Act 1994 s 49(2), Sch 1 para 5(2): see para 158 ante.
4 Ie rules made pursuant to ibid Sch 1 para 5(2): see para 158 ante.
5 Ibid Sch 1 para 6(1). As to marks contrary to public policy or accepted principles of morality see para 63 ante.
6 The appropriate form is Form TM35: Trade Marks Rules 2000, SI 2000/136, r 22. For the meaning of references to 'filing' see para 25 note 2 ante. As to the filing of documents by electronic means see para 354 post.
7 As to the registrar see para 17 ante.
8 Trade Marks Act 1994 Sch 1 para 6(2); Trade Marks Rules 2000, SI 2000/136, r 22. The prescribed fee is currently £200: Trade Marks (Fees) Rules 2000, SI 2000/137, r 3, Schedule. As to the use of forms see para 353 post; and as to fees see para 16 ante.
9 Trade Marks Act 1994 Sch 1 para 6(2).
10 Ie the requirements mentioned in ibid Sch 1 para 6(1): see the text and notes 1–5 supra.
11 Ibid Sch 1 para 7(1).

12 Ibid Sch 1 para 7(2). As to appeals from decisions of the registrar, including acts of the registrar in exercise of a discretion, see ss 76, 77 (both as amended); and para 405 et seq post.
13 Ibid Sch 1 para 7(3).
14 Ie in accordance with ibid s 38: see paras 383–387 post.
15 Ibid Sch 1 para 7(4).

160. Publication and inspection of regulations. The regulations[1] must be published[2] and notice of opposition may be given, and observations may be made, relating to the specified[3] matters[4]. This is in addition to any other grounds on which the application may be opposed or observations made[5].

The regulations governing the use of a registered collective mark[6] must be open to public inspection in the same way as the register[7].

1 As to the regulations see para 158 ante.
2 For the meaning of 'publish' see para 17 note 10 ante.
3 Ie the matters specified in the Trade Marks Act 1994 s 49(2), Sch 1 para 6(1): see para 159 ante.
4 Ibid Sch 1 para 8.
5 Ibid Sch 1 para 8.
6 For the meaning of 'collective mark' see para 155 ante.
7 Trade Marks Act 1994 Sch 1 para 9. As to the register being open to public inspection see s 63(3)(a); and para 24 ante.

161. Amendment of regulations. An amendment of the regulations[1] governing the use of a registered collective mark[2] is not effective unless and until the amended regulations are filed[3] with the registrar[4] on the appropriate form[5] and accepted by him[6].

Before accepting any amended regulations the registrar may in any case where it appears to him expedient to do so cause them to be published[7]; and he must publish a notice indicating where copies of the amended regulations may be inspected[8]. If the registrar does so, any person may, within three months of the date of publication of the notice:

(1) make observations to the registrar on the amendments relating to the specified matters[9] and the registrar must send[10] a copy thereof to the proprietor[11];
(2) give notice to the registrar of opposition to the amendment on the appropriate form[12] which must include a statement of the grounds of opposition indicating why the amended regulations do not comply with the specified[13] requirements[14].

The registrar must send a copy of the appropriate form[15] to the proprietor; and thereafter the statutory provisions relating to opposition proceedings[16] apply to the proceedings as they apply to proceedings relating to opposition to an application for registration with certain modifications[17].

1 As to the regulations see para 158 ante.
2 For the meaning of 'collective mark' see para 155 ante.
3 For the meaning of references to 'filing' see para 25 note 2 ante. As to the filing of documents by electronic means see para 354 post.
4 As to the registrar see para 17 ante.
5 The appropriate form is Form TM36: Trade Marks Rules 2000, SI 2000/136, r 23(1). As to the use of forms see para 353 post.
6 Trade Marks Act 1994 s 49(2), Sch 1 para 10(1); Trade Marks Rules 2000, SI 2000/136, r 23(1).
7 For the meaning of 'publish' see para 17 note 10 ante.
8 Trade Marks Act 1994 Sch 1 para 10(2); Trade Marks Rules 2000, SI 2000/136, r 23(2).
9 Ie the matters referred to in the Trade Marks Act 1994 Sch 1 para 6(1): see para 159 ante.
10 For the meaning of 'send' see para 25 note 14 ante.
11 Trade Marks Act 1994 Sch 1 para 10(3); Trade Marks Rules 2000, SI 2000/136, r 23(3) (amended by SI 2006/3039). For the meaning of 'proprietor' see para 22 note 8 ante.
12 The appropriate form is Form TM7: Trade Marks Rules 2000, SI 2000/136, r 23(4) (substituted by SI 2004/947; and amended by SI 2006/3039).
13 Ie the requirements specified in the Trade Marks Act 1994 Sch 1 para 6(1): see para 159 ante.

14 Ibid Sch 1 para 10(3); Trade Marks Rules 2000, SI 2000/136, r 23(4) (as substituted and amended: see note 12 supra).
15 The appropriate form is Form TM7: ibid r 23(5) (substituted by SI 2004/947).
16 Ie the Trade Marks Rules 2000, SI 2000/136, rr 13A–14 (rr 13A–13C as added; r 14 as amended): see paras 384–385 post.
17 Ibid r 23(5) (as substituted: see note 15 supra).

(iii) Infringement, Revocation and Invalidity

162. Infringement; rights of authorised users. The statutory provisions relating to:

(1) the unauthorised application of a mark to certain material[1];
(2) the adequacy of other remedies in relation to orders as to the disposal of infringing goods, material or articles[2]; and
(3) the making of a request to the Commissioners for Her Majesty's Revenue and Customs in relation to the prohibition of the importation of infringing goods, material or articles[3],

apply in relation to an authorised user of a registered collective mark[4] as in relation to a licensee[5] of a trade mark[6].

The following provisions[7] have effect as regards the rights of an authorised user in relation to infringement[8] of a registered collective mark[9].

An authorised user is entitled, subject to any agreement to the contrary between him and the proprietor, to call on the proprietor to take infringement proceedings[10] in respect of any matter which affects his interests[11]. If the proprietor refuses to do so or fails to do so within two months after being called upon, the authorised user may bring the proceedings in his own name as if he were the proprietor[12]. Where infringement proceedings are so brought, the authorised user may not, without the leave of the court[13], proceed with the action unless the proprietor is either joined as a claimant or added as a defendant; but this does not affect the granting of interim relief on an application by an authorised user alone[14]. A proprietor who is so added as a defendant may not be made liable for any costs in the action unless he takes part in the proceedings[15].

In infringement proceedings brought by the proprietor of a registered collective mark, any loss suffered or likely to be suffered by authorised users is to be taken into account; and the court may give such directions as it thinks fit as to the extent to which the claimant is to hold the proceeds of any pecuniary remedy on behalf of such users[16].

1 Ie the Trade Marks Act 1994 s 10(5): see para 90 ante.
2 Ie ibid s 19(2): see para 463 post.
3 Ie ibid s 89 (as amended): see para 149 ante. As to the Commissioners for Her Majesty's Revenue and Customs see CUSTOMS AND EXCISE vol 12(3) (2007 Reissue) para 900 et seq.
4 For the meaning of 'collective mark' see para 155 ante.
5 As to the licensing of a registered trade mark see paras 136–137 ante.
6 Trade Marks Act 1994 s 49(2), Sch 1 para 11 (amended by virtue of the Commissioners for Revenue and Customs Act 2005 s 50(1), (7)).
7 Ie the provisions of the Trade Marks Act 1994 Sch 1 para 12(2)–(6) (see the text and notes 10–16 infra), which correspond to the provisions of s 30 (general provisions as to the rights of licensees in case of infringement: see para 418 post).
8 For the meaning of 'infringement' see para 84 note 4 ante. As to the acts which amount to infringement, if done without the consent of the proprietor, see ibid s 10; and para 86 et seq ante.
9 Ibid Sch 1 para 12(1).
10 For the meaning of 'infringement proceedings' see para 85 note 4 ante.
11 Trade Marks Act 1994 Sch 1 para 12(2).
12 Ibid Sch 1 para 12(3).
13 For the meaning of 'the court' see para 349 post.
14 Trade Marks Act 1994 Sch 1 para 12(4).

15 Ibid Sch 1 para 12(5).
16 Ibid Sch 1 para 12(6).

163. Grounds for revocation of registration. Apart from the usual statutory grounds of revocation[1], the registration of a collective mark[2] may be revoked on the ground[3]:

(1) that the manner in which the mark has been used[4] by the proprietor has caused it to become liable to mislead the public as regards the character or significance of the mark, in particular if it is likely to be taken to be something other than a collective mark[5]; or

(2) that the proprietor has failed to observe, or to secure the observance of, the regulations[6] governing the use of the mark[7]; or

(3) that an amendment of the regulations has been made so that the regulations no longer comply with the statutory requirements[8] and any further conditions imposed by rules[9] or are contrary to public policy or to accepted principles of morality[10].

1 Ie the grounds provided for in the Trade Marks Act 1994 s 46: see para 114 et seq ante.
2 For the meaning of 'collective mark' see para 155 ante.
3 Trade Marks Act 1994 s 49(2), Sch 1 para 13.
4 For the meaning of 'use' see para 60 note 8 ante.
5 Trade Marks Act 1994 Sch 1 para 13(a), which refers to Sch 1 para 4(1) (see para 157 ante).
6 As to the regulations see para 158 ante.
7 Trade Marks Act 1994 Sch 1 para 13(b).
8 Ie ibid Sch 1 para 5(2): see para 158 ante.
9 Ie rules made under ibid Sch 1 para 5(2): see para 158 ante.
10 Ibid Sch 1 para 13(c).

164. Grounds for invalidity of registration. Apart from the usual statutory grounds of invalidity[1], the registration of a collective mark[2] may be declared invalid on the ground that the mark was registered in breach of any of the statutory provisions relating to the prohibition on a mark being misleading as to character or significance[3] or the conditions subject to which a collective mark may be registered[4].

1 Ie the grounds provided for in the Trade Marks Act 1994 s 47: see para 118 et seq ante.
2 For the meaning of 'collective mark' see para 155 ante.
3 Ie the Trade Marks Act 1994 s 49(2), Sch 1 para 4(1): see para 157 ante.
4 Ibid Sch 1 para 14. As to the conditions subject to which a collective mark may be registered see Sch 1 para 6(1); and para 159 ante.

In all legal proceedings relating to a registered trade mark, the registration of a person as proprietor of a trade mark is prima facie evidence of the validity of the original registration: see s 72; and para 110 ante. As to the meaning of 'registered trade mark' see para 127 ante. As to certificates of validity see para 447 post.

(12) CERTIFICATION MARKS

(i) In general

165. Nature of certification marks. A certification mark is a mark indicating that the goods or services in connection with which it is used are certified by the proprietor of the mark in respect of the origin, material, mode of manufacture of goods or performance of services, quality, accuracy or other characteristics[1].

Subject to certain modifications[2], the provisions of the Trade Marks Act 1994 apply to certification marks[3].

The assignment or other transmission of a registered certification mark is not effective without the consent of the registrar[4].

1 Trade Marks Act 1994 s 50(1). In general, certification marks are permitted by EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 10. Nevertheless it is arguable that the Trade Marks Act 1994 s 50 should not be interpreted as permitting the registration as certification marks of geographical designations or indications which are capable of being registered as protected designations of origin or protected geographical origins (as to which see para 302 post): see Joined Cases C-129/97 and C-130/97 *Re Chiciak and Fol* [1998] ECR I-3315, [1998] All ER (D) 253, ECJ; Case C-6/02 *European Commission v France* [2003] ECR I-2389, [2003] All ER (D) 69 (Mar), ECJ. The definition in the Trade Marks Act 1994 s 50(1) corresponds to the definition in the Trade Marks Act 1938 s 37(1) (repealed). There was little litigation relating to certification marks under the Trade Marks Act 1938: see eg *Stilton Trade Mark* [1967] RPC 173 (certification by the Stilton Cheese Makers' Association that cheese came from a particular area and was made according to a particular recipe could be the subject of a registration); *Sea Island Cotton Certification Trade Marks* [1989] RPC 87 (which decided, as a matter of discretion, that a certification mark should not be expunged for minor breaches of the regulations).

Certification marks are normally registered by trade associations and the like (the British Standards Institution 'Kitemark' being a typical example), not to indicate membership of the association (for which collective marks cater: see para 155 et seq ante), but as a mark of quality.

In relation to a certification mark, the reference in the Trade Marks Act 1994 s 1(1) (signs of which a trade mark may consist: see para 57 ante) to distinguishing goods or services of one undertaking from those of other undertakings is to be construed as a reference to distinguishing goods or services which are certified from those which are not: s 50(2), Sch 2 para 2. A certification mark may acquire a distinctive character through use: *Legal Aid Board v Comptroller General of Patents* [2000] All ER (D) 1246.

2 Ie subject to the provisions of the Trade Marks Act 1994 Sch 2: see note 1 supra; and para 166 et seq post.

3 Ibid Sch 2 para 1.

4 Ibid Sch 2 para 12. As to assignment and transmission see para 129 et seq ante; and as to the registrar see para 17 ante.

166. Indication of geographical origin. A certification mark[1] may be registered[2] which consists of signs or indications which may serve, in trade[3], to designate the geographical origin of the goods or services[4]. The proprietor of such a mark is, however, not entitled to prohibit the use[5] of the signs or indications in accordance with honest practices in industrial or commercial matters (in particular, by a person who is entitled to use a geographical name[6].

1 For the meaning of 'certification mark' see para 165 ante.

2 Ie notwithstanding the Trade Marks Act 1994 s 3(1)(c) (prohibition on registration of marks consisting of an indication of geographical origin): see para 60 head (2) ante.

3 As to the meaning of 'trade' see para 60 note 4 ante.

4 Trade Marks Act 1994 s 50(2), Sch 2 para 3(1).

5 For the meaning of 'use' see para 60 note 8 ante.

6 Trade Marks Act 1994 Sch 2 para 3(2).

167. Nature of proprietor's business. A certification mark[1] may not be registered if the proprietor carries on a business[2] involving the supply of goods or services of the kind certified[3].

1 For the meaning of 'certification mark' see para 165 ante.

2 For the meaning of 'business' see para 32 note 3 ante.

3 Trade Marks Act 1994 s 50(2), Sch 2 para 4.

168. Mark not to be misleading as to character or significance. A certification mark[1] may not be registered if the public is liable to be misled as regards the character or significance of the mark, in particular if it is likely to be taken to be something other than a certification mark[2]. The registrar[3] may accordingly require that a mark in respect of which application is made for registration[4] should include some indication that it is a certification mark[5]. An application may be amended[6] so as to comply with any such requirement[7].

1 For the meaning of 'certification mark' see para 165 ante.

2 Trade Marks Act 1994 s 50(2), Sch 2 para 5(1).

3 As to the registrar see para 17 ante.
4 As to the procedure on the application see para 352 et seq post.
5 Trade Marks Act 1994 Sch 2 para 5(2).
6 Ie notwithstanding ibid s 39(2): see para 375 post.
7 Ibid Sch 2 para 5(2).

(ii) Regulations

169. Regulations governing use of certification mark. An applicant for registration of a certification mark[1] must file with the registrar[2] regulations governing the use[3] of the mark[4]. The regulations must indicate who is authorised to use the mark, the characteristics to be certified by the mark, how the certifying body is to test those characteristics and to supervise the use of the mark, the fees, if any, to be paid in connection with the operation of the mark and the procedures for resolving disputes[5]. Further requirements with which the regulations have to comply may be imposed by rules[6].

1 For the meaning of 'certification mark' see para 165 ante.
2 As to the registrar see para 17 ante.
3 For the meaning of 'use' see para 60 note 8 ante.
4 Trade Marks Act 1994 s 50(2), Sch 2 para 6(1). As to approval of the regulations see para 170 post.
Regulations governing the use of an existing registered certification mark deposited at the Patent Office in pursuance of the Trade Marks Act 1938 s 37 (repealed) are to be treated on and after 31 October 1994 as if filed under the Trade Marks Act 1994 Sch 2 para 6: s 105, Sch 3 para 19(1). Any request for amendment of the regulations which was pending on 31 October 1994 must be dealt with under the old law: Sch 3 para 19(2). For the meaning of 'the old law' see para 4 note 3 ante. As to the Patent Office, its organisation and seal see para 14 note 2 ante; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) paras 666–667. Note that the Patent Office is now operating under the name 'the UK Intellectual Property Office' ('UK-IPO'): see the UK Intellectual Property Office Name Change Fact Sheet.
5 Trade Marks Act 1994 Sch 2 para 6(2). See also note 4 supra.
6 Ibid Sch 2 para 6(2). See also note 4 supra.

170. Approval of regulations etc. A certification mark[1] may not be registered unless:

(1) the regulations governing the use of the mark[2] comply with the statutory requirements[3] and any further requirements imposed by rules[4] and are not contrary to public policy or to accepted principles of morality[5]; and
(2) the applicant is competent to certify the goods or services for which the mark is to be registered[6].

Within nine months of the date of the application for registration of a certification mark, the applicant must file the appropriate form[7] with the registrar[8] accompanied by a copy of the regulations governing the use of the mark and pay the prescribed fee[9]. If he does not do so, the application is deemed to be withdrawn[10].

The registrar must consider whether the requirements of heads (1) and (2) above[11] are met[12]. If it appears to the registrar that those requirements are not met, he must inform the applicant and give him an opportunity, within such period as the registrar may specify, to make representations or to file amended regulations[13]. If the applicant fails to satisfy the registrar that those requirements are met, or to file regulations amended so as to meet them, or to respond before the end of the specified period, the registrar must refuse the application[14]. If, however, it appears to the registrar that those requirements, and the other requirements for registration, are met, he must accept the application and must proceed[15] accordingly[16].

1 For the meaning of 'certification mark' see para 165 ante.
2 As to the regulations see para 169 ante.

3 Ie the Trade Marks Act 1994 s 50(2), Sch 2 para 6(2): see para 169 ante.
4 Ie rules made pursuant to ibid Sch 2 para 6(2): see para 169 ante.
5 Ibid Sch 2 para 7(1)(a). As to marks contrary to public policy or accepted principles of morality see para 63 ante.
6 Ibid Sch 2 para 7(1)(b).
7 The appropriate form is Form TM35: Trade Marks Rules 2000, SI 2000/136, r 22. For the meaning of references to 'filing' see para 25 note 2 ante. As to the filing of documents by electronic means see para 354 post.
8 As to the registrar see para 17 ante.
9 Trade Marks Act 1994 Sch 2 para 7(2); Trade Marks Rules 2000, SI 2000/136, r 22. The prescribed fee is currently £200: Trade Marks (Fees) Rules 2000, SI 2000/137, r 3, Schedule. As to the use of forms see para 353 post; and as to fees see para 16 ante.
10 Trade Marks Act 1994 Sch 2 para 7(2).
11 Ie the requirements mentioned in ibid Sch 2 para 7(1): see the text and notes 1–6 supra.
12 Ibid Sch 2 para 8(1). As to appeals from decisions of the registrar, including acts of the registrar in exercise of a discretion, see ss 76, 77 (both as amended); and para 405 et seq post.
13 Ibid Sch 2 para 8(2).
14 Ibid Sch 2 para 8(3).
15 Ie in accordance with ibid s 38: see paras 383–387 post.
16 Ibid Sch 2 para 8(4).

171. Publication and inspection of regulations. The regulations[1] must be published[2] and notice of opposition may be given, and observations may be made, relating to the specified[3] matters[4]. This is in addition to any other grounds on which the application may be opposed or observations made[5].

The regulations governing the use of a registered certification mark[6] must be open to public inspection in the same way as the register[7].

1 As to the regulations see para 169 ante.
2 For the meaning of 'publish' see para 17 note 10 ante.
3 Ie the matters specified in the Trade Marks Act 1994 s 50(2), Sch 2 para 7(1): see para 170 ante.
4 Ibid Sch 2 para 9.
5 Ibid Sch 2 para 9.
6 For the meaning of 'certification mark' see para 165 ante.
7 Trade Marks Act 1994 Sch 2 para 10. As to the register being open to public inspection see s 63(3)(a); and para 24 ante.

172. Amendment of regulations. An amendment of the regulations[1] governing the use of a registered certification mark[2] is not effective unless and until the amended regulations are filed[3] with the registrar[4] on the appropriate form[5] and accepted by him[6].

Before accepting any amended regulations the registrar may in any case where it appears to him expedient to do so cause them to be published[7]; and he must publish a notice indicating where copies of the amended regulations may be inspected[8]. If the registrar does so, any person may, within three months of the date of publication of the notice:

(1) make observations to the registrar on the amendments relating to the specified matters[9] and the registrar must send[10] a copy thereof to the proprietor[11];
(2) give notice to the registrar of opposition to the amendment on the appropriate form[12] which must include a statement of the grounds of opposition indicating why the amended regulations do not comply with the specified[13] requirements[14].

The registrar must send a copy of the appropriate form[15] to the proprietor; and thereafter the statutory provisions relating to opposition proceedings[16] apply to the proceedings as they apply to proceedings relating to opposition to an application for registration with certain modifications[17].

1 As to the regulations see para 169 ante.
2 For the meaning of 'certification mark' see para 165 ante.

3 For the meaning of references to 'filing' see para 25 note 2 ante. As to the filing of documents by electronic means see para 354 post.
4 As to the registrar see para 17 ante.
5 The appropriate form is Form TM36: Trade Marks Rules 2000, SI 2000/136, r 23(1). As to the use of forms see para 353 post.
6 Trade Marks Act 1994 s 50(2), Sch 2 para 11(1); Trade Marks Rules 2000, SI 2000/136, r 23(1). See also para 169 note 4 ante.
7 For the meaning of 'publish' see para 17 note 10 ante.
8 Trade Marks Act 1994 Sch 2 para 11(2); Trade Marks Rules 2000, SI 2000/136, r 23(2).
9 Ie the matters referred to in the Trade Marks Act 1994 Sch 2 para 7(1): see para 170 ante.
10 For the meaning of 'send' see para 25 note 14 ante.
11 Trade Marks Act 1994 Sch 2 para 11(3); Trade Marks Rules 2000, SI 2000/136, r 23(3) (amended by SI 2006/3039). For the meaning of 'proprietor' see para 22 note 8 ante.
12 The appropriate form is Form TM7: Trade Marks Rules 2000, SI 2000/136, r 23(4) (substituted by SI 2004/947; and amended by SI 2006/3039).
13 Ie the requirements specified in the Trade Marks Act 1994 Sch 2 para 7(1): see para 170 ante.
14 Ibid Sch 2 para 11(3); Trade Marks Rules 2000, SI 2000/136, r 23(4) (as substituted and amended: see note 12 supra).
15 The appropriate form is Form TM7: ibid r 23(5) (substituted by SI 2004/947).
16 Ie the Trade Marks Rules 2000, SI 2000/136, rr 13A–14 (rr 13A–13C as added; r 14 as amended): see paras 384–385 post.
17 Ibid r 23(5) (as substituted: see note 15 supra).

(iii) Infringement, Revocation and Invalidity

173. Infringement; rights of authorised users. The statutory provisions relating to:

(1) the unauthorised application of a mark to certain material[1];
(2) the adequacy of other remedies in relation to orders as to the disposal of infringing goods, material or articles[2]; and
(3) the making of a request to the Commissioners for Her Majesty's Revenue and Customs in relation to the prohibition of the importation of infringing goods, material or articles[3],

apply in relation to an authorised user of a registered certification mark[4] as in relation to a licensee[5] of a trade mark[6].

In infringement proceedings[7] brought by the proprietor of a registered certification mark any loss suffered or likely to be suffered by authorised users must be taken into account; and the court[8] may give such directions as it thinks fit as to the extent to which the claimant is to hold the proceeds of any pecuniary remedy on behalf of such users[9].

1 Ie the Trade Marks Act 1994 s 10(5): see para 90 ante.
2 Ie ibid s 19(2): see para 463 post.
3 Ie ibid s 89 (as amended): see para 149 ante. As to the Commissioners for Her Majesty's Revenue and Customs see CUSTOMS AND EXCISE vol 12(3) (2007 Reissue) para 900 et seq.
4 For the meaning of 'certification mark' see para 165 ante.
5 As to the licensing of a registered trade mark see paras 136–137 ante.
6 Trade Marks Act 1994 s 50(2), Sch 2 para 13. For the meaning of 'trade mark' see para 57 ante.
7 For the meaning of 'infringement proceedings' see para 85 note 4 ante.
8 For the meaning of 'the court' see para 349 post.
9 Trade Marks Act 1994 Sch 2 para 14. This applies only in relation to infringements committed on or after 31 October 1994: s 105, Sch 3 para 6(2).

174. Grounds for revocation of registration. Apart from the usual statutory grounds of revocation[1], the registration of a certification mark[2] may be revoked on the ground[3]:

(1) that the proprietor has begun to carry on a business[4] involving the supply of goods or services of the kind certified[5];
(2) that the manner in which the mark has been used[6] by the proprietor has caused

it to become liable to mislead the public as regards the character or significance of the mark, in particular if it is likely to be taken to be something other than a certification mark[7];

(3) that the proprietor has failed to observe, or to secure the observance of, the regulations[8] governing the use of the mark[9];

(4) that an amendment of the regulations has been made so that the regulations no longer comply with the statutory requirements[10] and any further conditions imposed by rules[11] or are contrary to public policy or to accepted principles of morality[12]; or

(5) that the proprietor is no longer competent to certify the goods or services for which the mark is registered[13].

1 Ie the grounds provided for in the Trade Marks Act 1994 s 46: see para 114 et seq ante.
2 For the meaning of 'certification mark' see para 165 ante.
3 Trade Marks Act 1994 s 50(2), Sch 2 para 15.
4 For the meaning of 'business' see para 32 note 3 ante.
5 Trade Marks Act 1994 Sch 2 para 15(a), which refers to such a business as is mentioned in Sch 2 para 4: see para 167 ante.
6 For the meaning of 'use' see para 60 note 8 ante.
7 Trade Marks Act 1994 Sch 2 para 15(b). As to the manner referred to see Sch 2 para 5(1); and para 168 ante.
8 Ie ibid Sch 2 para 6(2): see para 169 ante.
9 Ibid Sch 2 para 15(c).
10 Ie ibid Sch 2 para 6(2): see para 169 ante.
11 Ie rules made pursuant to ibid Sch 2 para 6(2): see para 169 ante.
12 Ibid Sch 2 para 15(d).
13 Ibid Sch 2 para 15(e).

175. Grounds for invalidity of registration. Apart from the usual statutory grounds of invalidity[1], the registration of a certification mark[2] may be declared invalid on the ground that the mark was registered in breach of any of the statutory provisions relating to the nature of a proprietor's business[3], the prohibition on a mark being misleading as to character or significance[4] or the conditions[5] subject to which a certification mark may be registered[6].

1 Ie the grounds provided for in the Trade Marks Act 1994 s 47: see para 118 et seq ante.
2 For the meaning of 'certification mark' see para 165 ante.
3 Ie the Trade Marks Act 1994 s 50(2), Sch 2 para 4: see para 167 ante.
4 Ie ibid Sch 2 para 5(1): see para 168 ante.
5 Ie ibid Sch 2 para 7(1): see para 170 ante.
6 Ibid Sch 2 para 16. In all legal proceedings relating to a registered trade mark, the registration of a person as proprietor of a trade mark is prima facie evidence of the validity of the original registration: see s 72; and para 110 ante. As to the meaning of 'registered trade mark' see para 127 ante. As to certificates of validity see para 447 post.

3. COMMUNITY TRADE MARKS

(1) INTRODUCTION

176. The Community Trade Mark Regulation. A system of registration of trade marks covering the whole of the European Union is provided for by the Community Trade Mark Regulation[1]. The Regulation provides for registration of a 'Community trade mark'[2] registered in accordance with the conditions contained in, and in the manner provided by, that Regulation[3].

A Community trade mark so registered has effect throughout the Community[4]. It is infringed by the performance of prohibited acts[5] anywhere in the Community[6]. Accordingly, a person wishing to protect a trade mark throughout the Community may register that mark in accordance with the Regulation: this can be an alternative to, or in addition to[7], registration in each of the member states[8].

The substantive law of Community trade marks[9], as provided for by the Regulation, closely mirrors the provisions of the Trade Marks Directive[10], and decisions as to the interpretation of identical or materially identical provisions of one are regarded as decisions on the interpretation of the other[11].

By virtue of the accession of the European Community to the Madrid Protocol[12], a Community trade mark can form the basis for an international application and an international registration can form the basis for an application for a Community trade mark[13].

1 Ie EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark. The Community Trade Mark Regulation does not prevent actions concerning a Community trade mark being brought under the law of member states relating in particular to civil liability and unfair competition: art 14(2). Thus the Regulation does not affect the law of passing off in the United Kingdom: see para 304 et seq post. The Regulation is referred to in the Trade Marks Act 1994 as 'the Community Trade Mark Regulation': s 51.

2 For the meaning of 'Community trade mark' see EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 1(1); and para 206 post.

3 See ibid art 1(1); and para 206 post. For the requirements for registration as a Community trade mark see paras 205–223 post. As to the manner of registration see paras 278–283 post. The Community Trade Mark Regulation does not affect EC Council Regulation 510/2006 (OJ L93, 31.3.06, p 12) on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, and in particular arts 3(4) and 14 (as to which see para 302 et seq post): EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 159 (amended by EC Council Regulation 1992/2003 (OJ L296, 14.11.03, p 1); and by virtue of EC Council Regulation 510/2006 (OJ L93, 31.3.06, p 12)).

4 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 1(2); and see para 206 post. The Community Trade Mark Regulation also makes provision for the consequences of the enlargements of the Community which occurred on 1 May 2004 (when Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia joined) and 1 January 2007 (when the Republic of Bulgaria and Romania joined): art 159a (added by the Act of Accession 2003 (OJ L236, 23.9.03, p 33); renumbered by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1); and amended by the Act of Accession 2005 (OJ L157, 21.6.05, p 203).

5 As to the prohibited acts which infringe a Community trade mark see EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 9; and para 224 et seq post.

6 As to national proceedings for infringement of a Community trade mark see para 250 et seq post. An action may be brought in a single court to restrain infringement throughout the European Union: see ibid art 94(1); and para 252 post.

7 There will of course be some circumstances in which it may be advantageous to register a trade mark in one or more of the member states. There are subtle differences in the requirements as to registration provided for by EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) and by EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks (which provides the requirements for registration in the member states: see para 5 ante).

8 There will be many marks which are not registrable as Community trade marks but could be registered as national trade marks. In particular, where the requirements for registration as a Community trade mark are not met in any one member state, the trade mark may not be so registered: see EC Council

Regulation 40/94 (OJ L11, 14.1.94, p 1) art 7(2); and para 209 post. But this would not prevent registration in those member states in which the requirements for registration provided for by EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) were met.

A Community trade mark or an application for a Community trade mark may be converted into a national trade mark application if it ceases to have effect: see paras 197–203 post.

9 Ie in particular, the requirements for registration of a Community trade mark (cf the corresponding provisions under the Trade Marks Act 1994: see para 55 et seq ante), infringement (cf para 84 et seq ante) and revocation or invalidity (cf para 114 et seq ante).

10 Ie EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks. As to the Trade Marks Directive see para 5 ante.

11 See eg Case C-191/01P *Office for Harmonisation in the Internal Market (Trade Marks and Designs) v Wm Wrigley Jr Co* [2003] ECR I-12447, sub nom *Wm Wrigley Jr Co v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] All ER (EC) 1040, ECJ. As to the law of registered trade marks in the United Kingdom see para 2 et seq ante.

But see also *Antoni and Alison's Application* [1998] ETMR 460, OHIM Board of Appeal (where it was said that is was not appropriate for the Board of Appeal to consider the interpretation of EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) by the member states); *Penny Makinson's (PI Associates') Application* [1999] ETMR 234, OHIM Board of Appeal.

12 See EC Council Regulation 1992/2003 (OJ L296, 14.11.03, p 1) on the Community trade mark to give effect to the accession of the European Community to the Protocol relating to the Madrid Agreement concerning the international registration of marks adopted at Madrid on 27 June 1989; and EC Council Decision 2003/793 (OJ L296, 14.11.03, p 20) approving the accession of the European Community to the Protocol relating to the Madrid Agreement concerning the international registration of marks, adopted at Madrid on 27 June 1989. As to the Madrid Agreement and the Protocol see para 8 ante.

13 As to the international registration of marks under the Madrid Protocol see EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) arts 140–156 (all added by EC Council Regulation 1992/2003 (OJ L296, 14.11.2003, p 1); and EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 151(3) substituted by EC Council Regulation 422/2004 (OJ L70 9.3.04 p 1)). As to procedures concerning the international registration of marks see EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark, art 1 rr 102–126 (all added by EC Commission Regulation 782/2004 (OJ L123, 27.4.2004, p 88); and EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) rr 114, 122 amended by EC Commission Regulation 1041/2005 (OJ L172, 5.7.2005, p 4)). The details of these provisions are outside the scope of this work, but the system is comparable to that under the Trade Marks Act 1994 (see paras 11–13 ante).

A trade mark which is entitled to protection in the European Community by virtue of the Madrid Protocol is referred to in the Trade Marks Act 1994 as an 'international trade mark (EC)': see para 8 note 17 ante.

177. Domestic implementation of the Community Trade Mark Regulation.

The Community Trade Mark Regulation[1] has general application. It is binding in its entirety and directly applicable in all member states[2]. Accordingly there is no Act of Parliament or secondary legislation which gives effect to the Regulation. The provisions of the Regulation have the force of law without such implementation[3].

The Secretary of State[4] may by regulations make such provision as he considers appropriate in connection with the operation of the Community Trade Mark Regulation[5]. Provision may in particular be made with respect to: (1) the making of applications for Community trade marks[6] by way of the Patent Office[7]; (2) the procedures for determining a posteriori the invalidity, or liability to revocation, of the registration of a trade mark from which a Community trade mark claims seniority; (3) the conversion of a Community trade mark, or an application for a Community trade mark, into an application for registration under the Trade Marks Act 1994; (4) the designation of courts in the United Kingdom having jurisdiction over proceedings arising out of the Community Trade Mark Regulation[8].

Without prejudice to the generality of the above, provision may be made by regulations: (a) applying in relation to a Community trade mark the statutory provisions relating to the remedy for groundless threats of infringement proceedings[9], the importation of infringing goods, material or articles[10], and offences[11]; and (b) making, in relation to the list of professional representatives[12] and persons on that list, provision

corresponding to that made by, or capable of being made under, the statutory provisions[13] in relation to the register of trade mark agents and registered trade mark agents[14].

1 Ie EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark.
2 Treaty Establishing the European Community (Rome, 25 March 1957; TS1 (1973); Cmnd 5179) art 249 (formerly art 189; renumbered by virtue of the Treaty of Amsterdam: see *Treaty Citation (No 2) (Note)* [1999] All ER (EC) 646, ECJ); EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 160(4), 2nd para (amended by EC Council Regulation 1992/2003 (OJ L296, 14.11.03, p 1)).
3 It could, however, be said that the European Communities Act 1972 provides for the implementation of the Community Trade Mark Regulation: see the European Communities Act 1972 s 2(1).
4 As to the Secretary of State see para 14 ante.
5 Trade Marks Act 1994 ss 51, 52(1). References in the Trade Marks Act 1994 to a Community instrument include references to any instrument amending or replacing that instrument: s 103(3).
6 For these purposes, 'Community trade marks' has the meaning given by EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 1(1) (see para 206 post): Trade Marks Act 1994 s 51. For the meaning of 'United Kingdom' see para 3 note 2 ante.
7 As to the Patent Office, its organisation and seal see para 14 note 2 ante; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) paras 666–667. Note that the Patent Office is now operating under the name 'the UK Intellectual Property Office' ('UK-IPO'): see the UK Intellectual Property Office Name Change Fact Sheet.
8 Trade Marks Act 1994 ss 51, 52(2). Regulations under s 52 must be made by statutory instrument which is subject to annulment in pursuance of a resolution of either House of Parliament: s 52(4).

The following regulations have been so made: (1) the Community Trade Mark (Fees) Regulations 1995, SI 1995/3175 (see para 278 note 6 post); (2) the Trade Marks (International Registrations Designating the European Community, etc) Regulations 2004, SI 2004/2332; (3) the Community Trade Mark Regulations 2006, SI 2006/1027 (see paras 196, 202, 250, 266–269, 288, 349 post).

Many of the provisions of the Community Trade Mark Regulations 2006, SI 2006/1027, also apply to international trade marks (EC): reg 2(2). To that extent the regulations are better regarded as having been made pursuant to the Trade Marks Act 1994 s 54: see para 8 ante.

9 Ie ibid s 21: see paras 123–125 ante, 266 post.
10 Ie ibid ss 89–91 (as amended): see paras 149–152 ante, 267 post.
11 Ie ibid s 92 (see paras 141–144 ante), s 93 (see para 146 ante), s 95 (see para 148 ante) and s 96 (supplementary provisions relating to summary proceedings in Scotland). See also para 268 post.
12 Ie the list maintained in pursuance of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 89 (as amended): see paras 194–195 post.
13 Ie the Trade Marks Act 1994 ss 84–88: see para 32 et seq ante.
14 Ibid s 52(3).

178. Community implementing provisions. The rules implementing the Community Trade Mark Regulation[1] must be adopted in an Implementing Regulation[2].

The Implementing Regulation[3] came into force on 22 December 1995[4], and it provides for the detailed operation of the Office for Harmonisation in the Internal Market[5] and for the procedures of the Office[6].

1 Ie EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark.
2 Ibid art 157(1) (amended by EC Council Regulation 1992/2003 (OJ L296, 14.11.03, p 1)). See note 3 infra.
3 The Implementing Regulation is EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark. The rules of procedure of the Boards of Appeal created by EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) must be adopted and amended in accordance with the procedure laid down in art 158: art 157(3) (amended by EC Council Regulation 1992/2003 (OJ L296, 14.11.03, p 1)). The rules implementing EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) are provided by EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 (amended by EC Commission Regulation 782/2004 (OJ L123, 27.4.04, p 88); and EC Commission Regulation 1041/2005 (OJ L172. 5.7.05, p 4)); and transitional provisions are provided for by EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 2.
4 Ibid art 3.
5 As to the Office see para 180 et seq post. For an outline of the procedure in the Office see para 277 et seq post.

6 The detail of the rules laid down by EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) is beyond the scope of this work, although the content of those rules is summarised where appropriate.

179. Commencement and transitional provisions. The provisions of the Community Trade Mark Regulation[1] entered into force on 15 March 1994[2]. Applications for Community trade marks[3] were permitted to be filed at the Office for Harmonisation in the Internal Market[4] from 1 April 1996[5].

The member states were required to take the necessary measures[6] for the purpose of implementing the Regulation by 15 March 1997[7].

1 Ie EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark.

2 Ibid art 160(1) (amended by EC Council Regulation 1992/2003 (OJ L296, 14.11.03, p 1)). The date mentioned in the text is the 60th day following that of the publication of the Regulation in the Official Journal of the European Communities: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 160(1) (as so amended).

3 For the meaning of 'Community trade mark' see para 206 post. As to applications for Community trade marks see paras 278–283 post.

4 As to the Office see para 180 et seq post.

5 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 160(3) (amended by EC Council Regulation 1992/2003 (OJ L296, 14.11.03, p 1)). The date mentioned in the text is the date fixed by the Administrative Board of the Office pursuant to EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 160(3) (as so amended). Applications for Community trade marks filed within three months before that date are deemed to have been filed on that date: art 160(4), 1st para (amended by EC Council Regulation 1992/2003 (OJ L296, 14.11.03, p 1)).

6 Ie the necessary measures for the purpose of implementing EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 91 (see para 250 post) and art 110 (as amended) (see para 201 post). The United Kingdom measures are now contained in the Community Trade Mark Regulations 2006, SI 2006/1027: see para 177 note 8 ante.

7 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 160(2) (amended by EC Council Regulation 1992/2003 (OJ L296, 14.11.03, p 1)). The member states were required to take measures within three years following the entry into force of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) and also to inform the EC Commission of those measures forthwith: art 160(2).

(2) ADMINISTRATION

(i) The Office for Harmonisation in the Internal Market

180. The Office for Harmonisation in the Internal Market. The Community Trade Mark Regulation[1] established the Office for Harmonisation in the Internal Market (Trade Marks and Designs), referred to in the Regulation as 'the Office'[2]. It has legal personality[3] and is represented and managed by its President[4]. The Office has its seat in Alicante, Spain[5].

The Protocol on the Privileges and Immunities of the European Communities[6] applies to the Office[7].

The contractual liability of the Office is governed by the law applicable to the contract in question[8]. As for tortious liability, the Office must, in accordance with the general principles common to the laws of the member states, make good any damage caused by its departments or by its servants in the performance of their duties[9].

1 Ie EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark.

2 Ibid art 2. The Office is a body of the Community: art 111(1). The administration of the Office is provided for by arts 112, 114(5), 119–138 (arts 127, 129–131, 134, 136 as amended). Those provisions are not within the scope of this work but are summarised in para 181 et seq post.

3 Ibid art 111(1). In each of the member states the Office enjoys the most extensive legal protection accorded to legal persons under their laws; it may in particular acquire or dispose of movable and immovable property and may be a party to legal proceedings: art 111(2).

4 Ibid arts 111(3), 119(1). The particular functions of the President are laid down by art 119(2).

5 See the Statement by the Council and the Commission on the seat of the Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OJ L11, 14.1.94, p 36).
6 Ie the Protocol on the Privileges and Immunities of the European Communities (OJ L152, 13.7.67, p 1) (as amended): see FOREIGN RELATIONS LAW vol 18(2) (Reissue) para 910 et seq.
7 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 113.
8 Ibid art 114(1). The European Court of Justice is competent to give judgment pursuant to any arbitration clause contained in a contract concluded by the Office: art 114(2).
9 Ibid art 114(3). The European Court of Justice has jurisdiction in disputes relating to compensation for the damage referred to in this provision: art 114(4).

181. Staff and senior officials of the Office. The Community Trade Mark Regulation[1] makes provision for the employment of staff by the Office for Harmonisation in the Internal Market[2]. In general, the regulations[3] relating to staff of European Union bodies apply to the staff of the Office[4], and the powers conferred on those bodies by those regulations may be exercised by the Office in respect of its staff[5].

The President and any Vice-Presidents[6] of the Office are appointed by the EC Council[7].

1 Ie EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark.
2 See ibid arts 112, 114(5). As to the establishment etc of the Office see para 180 et seq ante.
3 Ie the Staff Regulations of officials of the European Communities, the Conditions of Employment of other servants of the European Communities, and the rules adopted by agreement between the Institutions of the European Communities for giving effect to those Staff Regulations and Conditions of Employment apply to the staff of the Office.
4 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 112(1).
5 Ibid art 112(2).
6 As to Vice-Presidents see ibid art 119(3).
7 See ibid art 120, which lays down the procedure for and terms of their appointment.

182. Organs of the Office. The Community Trade Mark Regulation[1] makes provision for the following organs of the Office for Harmonisation in the Internal Market, in addition to the President and Vice-Presidents[2]:

(1) the Administrative Board[3];
(2) the Examiners[4];
(3) the Opposition Divisions[5];
(4) the Administration of Trade Marks and Designs and Legal Division[6];
(5) the Cancellation Divisions[7];
(6) the Boards of Appeal[8]; and
(7) the Budget Committee[9].

1 Ie EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark.
2 As to the President and Vice-Presidents see paras 180–181 ante. As to the establishment etc of the Office see para 180 et seq ante. In practice, as a result of an internal reorganisation by the Office in 2006, the core business of the Office is carried out by two departments, the Trade Marks and Registry Department and the Trade Marks and Cancellation Department.
3 The Administrative Board is set up by EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 121(1) and its powers, duties and organisation are governed by arts 121–124.
4 Examiners are competent to act pursuant to ibid art 125(a). An examiner is responsible for taking decisions on behalf of the Office in relation to an application for registration of a Community trade mark, including the matters referred to in art 36 (as amended), art 38 and art 66 (see paras 279, 297 post): art 126. They are governed by art 132.
5 Opposition Divisions are competent to act pursuant to ibid art 125(b). They are responsible for taking decisions on an opposition to an application to register a Community trade mark (see para 282 post): art 127(1). As to their composition see arts 127(2), 132 (art 127(2) substituted by Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)).
6 The Administration of Trade Marks and Designs and Legal Division is competent to act pursuant to EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 125(c) (amended by virtue of EC Council Regulation 6/2002 (OJ L3, 5.1.2002, p 1) on Community designs, art 104(1)). Its powers and duties are governed by EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) arts 128, 132.

7 Cancellation Divisions are competent to act pursuant to ibid art 125(d). They are responsible for taking decisions in relation to an application for the revocation or declaration of invalidity of a Community trade mark (see paras 289–290 post): art 129(1). As to their composition see arts 129(2), 132 (art 129(2) substituted by Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)).

8 The Boards of Appeal are competent to act pursuant to EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 125(e). They are responsible for deciding appeals from the decisions of Examiners, the Opposition Divisions, the Administration of Trade Marks and Legal Division and the Cancellation Divisions: art 130(1). As to their composition see arts 130(2), 131, 132 (arts 130(2), 131 substituted by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)). The Boards of Appeal form part of the administrative office responsible for registering trade marks and, although they enjoy a wide degree of independence while carrying out their duties, they are not to be classified as tribunals: Case T-63/01 *Procter and Gamble v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2002] ECR II-5255, (2002) Times, 28 December, CFI; but cf *Lenzing AG's European Patent (UK)* [1997] RPC 245, sub nom *R v Comptroller of Patents, Designs and Trade Marks, ex p Lenzing AG* [1997] 9 LS Gaz R 31 (a patent case). As to appeals to a Board of Appeal see para 291 et seq post.

There is provision for an Enlarged Board of Appeal (also known as the Grand Board of Appeal) chaired by the President of the Boards of Appeal to decide certain specific cases where the legal difficulty or the importance of the case or special circumstances justify it: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 130(2)–(5) (substituted by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)). It is understood that the Enlarged Board of Appeal was created mainly to ensure consistency in the Office's case law, as with its counterpart the Enlarged Board of Appeal of the European Patent Office; but the need for this may be questioned given the appellate jurisdiction of the Court of First Instance and the European Court of Justice (see para 294 post). It may be noted that the economic importance of the case has already been regarded as sufficient justification for a reference to the Enlarged Board of Appeal: Case R 856/2004-G *Lego Juris A/S v Mega Brands Inc* [2007] ETMR 11, OHIM Enlarged Board of Appeal. The Enlarged Board of Appeal issued its first decision in Case R 495/2005-G *Application of Kenneth (t/a Screw You)* [2007] ETMR 7, OHIM Enlarged Board of Appeal.

9 The Budget Committee is set up, attached to the Office, by EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 133(1). Its organisation is governed by arts 121(6), 122, 123, 124(1)–(4), (6), (7): art 133(2). As to the powers and duties of the Budget Committee see para 183 post.

183. Budget and financial control. The Budget Committee[1] is responsible for the budget and financial control of the Office for Harmonisation in the Internal Market[2], in particular the adoption of the Office's budget[3]. An internal audit function must be set up within the Office, with an internal auditor appointed by the President responsible for verifying the proper operation of budget implementation systems and procedures of the Office[4]. The Budget Committee must also adopt internal financial provisions for the Office[5].

1 As to the Budget Committee see para 182 note 9 ante. The Budget Committee has the powers assigned to it by EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, arts 39(4), 133–139 (arts 134, 139 amended by EC Council Regulation 1992/2003 (OJ L245, 14.11.03, p 1); and EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 136 substituted by EC Council Regulation 1653/2003 (OJ L296, 29.9.03, p 36)): EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 133(1).

2 See ibid arts 133–138 (art 134 as amended and art 36 as substituted: see note 1 supra). As to the establishment etc of the Office see para 180 et seq ante.

3 Ibid art 135(3). As to the contents and preparation of the Office's budget see arts 134–135 (art 134 as amended: see note 1 supra). In particular, the revenue and expenditure shown in the budget must balance: art 134(2).

4 Ibid art 136 (as substituted: see note 1 supra). As to the President see paras 180–181 ante.

5 See ibid art 138, which sets out the procedure for the adoption of such provisions.

184. Fees. Provision is made for fees regulations[1], which must determine the amounts of fees and the ways in which they are paid[2]. The amounts of the fees must be fixed at such a level as to ensure that the revenue in respect thereof is in principle sufficient for the budget of the Office for Harmonisation in the Internal Market[3] to be balanced[4].

Fees must be charged in particular in the cases listed below[5]:

(1) late payment of the registration fee[6];

(2) issue of a copy of the certificate of registration[7];
(3) registration of a licence or another right in respect of a Community trade mark[6];
(4) registration of a licence or another right in respect of an application for a Community trade mark;
(5) cancellation of the registration of a licence or another right;
(6) alteration of a registered Community trade mark[7];
(7) issue of an extract from the register;
(8) inspection of the files[8];
(9) issue of copies of file documents;
(10) issue of certified copies of the application;
(11) communication of information in a file; and
(12) review of the determination of the procedural costs to be refunded.

1 See the EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 139. The fees regulations must be adopted and amended in accordance with the procedure laid down in art 158: art 139(3) (amended by EC Council Regulation 1992/2003 (OJ L296, 14.11.03, p 1)). EC Commission Regulation 2869/95 (OJ L303, 15.12.95, p 33) on the fees payable to the Office for Harmonisation in the Internal Market (Trade Marks and Designs) (amended by EC Commission Regulation 781/2004 (OJ L123, 27.4.04, p 85); EC Commission Regulation 1042/2005 (OJ L172, 5.7.05, p 22); and EC Commission Regulation 1687/2005 (OJ L271, 15.10.05, p 14)) was so adopted.

2 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 139(1). Rights of the Office to the payment of a fee are extinguished after four years from the end of the calendar year in which the fee fell due (art 80(1)), and rights against the Office for the refunding of fees or sums of money paid in excess of a fee are extinguished after four years from the end of the calendar year in which the right arose (art 80(2)). That four year period is interrupted in the case covered by art 80(1) by a request for payment of the fee and in the case covered by art 80(2) by a reasoned claim in writing; on interruption it begins again immediately and ends at the latest six years after the end of the year in which it originally began, unless, in the meantime, judicial proceedings to enforce the right have begun; and in this case the period ends at the earliest one year after the judgment has acquired the authority of a final decision: art 80(3).

The President of the Office may waive action for the enforced recovery of any sum due where the sum to be recovered is minimal or where such recovery is too uncertain: EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark, art 1 r 74.

3 As to the establishment etc of the Office see para 180 et seq ante.

4 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 139(2). The Office is obliged to produce a balanced budget: see art 134(2); and para 183 note 3 ante.

5 Ibid art 157(2) (amended by EC Council Regulation 1992/2003 (OJ L296, 14.11.03, p 1); and EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)).

6 As to registration of a licence or another right in respect of a Community trade mark see EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) arts 22(5), 23; and paras 275–276 post.

7 As to alteration of a registered Community trade mark see ibid art 48; and para 248 post.

8 As to the inspection of the Office's files see ibid art 84; and para 189 post.

185. Languages in the Office. The languages of the Office for Harmonisation in the Internal Market are English, French, German, Italian and Spanish[1].

An application for a Community trade mark[2] must be filed in one of the official languages of the European Community[3]. The applicant must indicate a second language, which must be a language of the Office, the use of which he accepts as a possible language of proceedings for opposition, revocation or invalidity proceedings[4]. Where the applicant for a Community trade mark is the sole party to proceedings before the Office, the language of proceedings is the language used for filing the application for a Community trade mark[5].

The notice of opposition and an application for revocation or invalidity must be filed in one of the languages of the Office[6]. If the language chosen[7] for the notice of opposition or the application for revocation or invalidity is the language of the application for a trade mark or the second language indicated when the application was filed, that language will be the language of the proceedings[8].

If the language chosen[9] for the notice of opposition or the application for revocation or invalidity is neither the language of the application for a trade mark nor the second language indicated when the application was filed, the opposing party or the party seeking revocation or invalidity is required to produce, at his own expense, a translation of his application either into the language of the application for a trade mark, provided that it is a language of the Office, or into the second language indicated when the application was filed[10]. The language into which the application has been translated will then become the language of the proceedings[11].

Parties to opposition, revocation, invalidity or appeal proceedings may agree that a different official language of the European Community is to be the language of the proceedings[12].

1 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 115(2). A challenge to the legality of the language regime established by art 115 on the ground that it was contrary to the Treaty Establishing the European Community (Rome, 25 March 1957; TS 1 (1973); Cmnd 5179) (the 'EC Treaty') art 6 was unsuccessful: Case C-361/01P *Kik v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2003] ECR I-8283, [2004] IP & T 403, ECJ. Further provisions as to the use of languages in the Office are provided for by EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark (the 'Implementing Regulation') art 1 rr 16, 38, 95–99 (rr 16, 98 substituted, and r 38 amended, by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)). There is a body of case law of the Office for Harmonisation in the Internal Market Boards of Appeal and of the Court of First Instance, not all of it consistent, on the interpretation and application of these provisions; for a recent example see Case T-6/05 *DEF-TEC Defense Technology GmbH v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] All ER (D) 23 (Sep), CFI. As to the establishment etc of the Office see para 180 et seq ante. As to translation services required by the Office see EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 117.

2 For the meaning of 'Community trade mark' see para 206 post. As to applications for Community trade marks see paras 278–283 post.

3 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 115(1).

4 Ibid art 115(3). If the application was filed in a language which is not one of the languages of the Office, the Office must arrange to have the application, as described in art 26(1) (see para 278 post), translated into the language indicated by the applicant: art 115(3).

5 Ibid art 115(4). If the application was made in a language other than the languages of the Office, the Office may send written communications to the applicant in the second language indicated by the applicant in his application: art 115(4). Procedural documents must be drawn up by the Office in the language used for filing the application; the written communications which may be sent in the second language are any communications which from their content cannot be regarded as amounting to procedural documents: Case C-361/01P *Kik v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2003] ECR I-8283, [2004] IP & T 403, ECJ.

6 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 115(5).

7 Ie one of the languages of the Office, in accordance with ibid art 115(5): see the text to note 6 supra.

8 Ibid art 115(6).

9 See note 7 supra.

10 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 115(6). The translation must be produced within the period prescribed in the Implementing Regulation (see note 1 supra): art 115(6).

11 Ibid art 115(6).

12 Ibid art 115(7).

186. Control of legality. The EC Commission must check the legality of: (1) those acts of the President[1] of the Office for Harmonisation in the Internal Market[2] in respect of which Community law does not provide for any check on legality by another body; and (2) acts of the Budget Committee[3] attached to the Office[4]. It must require that any such unlawful acts be altered or annulled[5].

Member states and any person directly and personally involved may refer to the EC Commission such an act, whether express or implied, for the Commission to examine the legality of that act. Such referral must be made within one month of the day on which the party concerned first became aware of the act in question. The Commission

must take a decision within three months. If no decision has been taken within this period, the case is deemed to have been dismissed[6].

1 As to the President see paras 180–181 ante.
2 As to the establishment etc of the Office see para 180 et seq ante.
3 As to the Budget Committee see paras 182 text and note 9, 183 ante.
4 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 118(1). The Budget Committee is attached to the Office pursuant to art 133: art 118(1).
5 Ibid art 118(2).
6 Ibid art 118(3) (amended by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1).

187. Access to documents. The provisions[1] regarding access to European Parliament, Council and Commission documents also apply to documents held by the Office for Harmonisation in the Internal Market[2].

1 Ie under EC Parliament and Council Regulation 1049/2001 (OJ L145, 31.5.01, p 43) regarding public access to European Parliament, Council and Commission documents.
2 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 118a(1) (art 118a added by EC Council Regulation 1653/2003 (OJ L245, 29.9.03, p 36)). The Administrative Board was required to adopt the practical arrangements for implementing these provisions within six months of the entry into force of EC Council Regulation 1653/2003 (OJ L245, 29.9.03, p 36): EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 118a(2) (as so added). Decisions taken by the Office pursuant to EC Parliament and Council Regulation 1049/2001 (OJ L145, 31.5.01, p 43) art 8 may give rise to the lodging of a complaint to the Ombudsman or form the subject of an action before the Court of Justice under the conditions laid down in the Treaty Establishing the European Community (Rome, 25 March 1957; TS 1 (1973); Cmnd 5179) (the 'EC Treaty') arts 195, 230 respectively: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 118a(3) (as so added). As to the establishment etc of the Office see para 180 et seq ante; and as to the Administrative Board see para 182 text and note 3 ante.

(ii) Public Information

188. The register of Community trade marks. The Office for Harmonisation in the Internal Market[1] must keep a register, to be known as the register of Community trade marks, which must contain the prescribed particulars[2]; the register must be open to public inspection[3].

An application for a Community trade mark[4] and other prescribed information[5] must be published in all the official languages of the European Community[6].

1 As to the Office see para 180 et seq ante.
2 Ie those particulars the registration or inclusion of which is provided for by EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, or by EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark. Article 1 r 84 (amended by EC Commission Regulation 782/2004 (OJ L123, 27.4.04, p 88); and by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)) specifies precisely what the register must contain.

Perhaps the most important particular, the registration of which is provided for, is the registration of Community trade marks: see EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 45; and para 283 post.

The Office must also maintain an electronic data bank with the particulars of applications for registrations and entries in the register, which must be made available to the public: see EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 87.
3 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 83.
4 For the meaning of 'Community trade mark' see para 206 post. As to applications for Community trade marks see paras 278–283 post.
5 Ie all other information the publication of which is prescribed by EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) or EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1).
6 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 116(1). All entries in the register of Community trade marks must be made in all the official languages of the European Community: art 116(2). In cases of doubt, the text in the language of the Office in which the application for the Community trade mark was filed is authentic: art 116(3). If the application was filed in an official

language of the European Community other than one of the languages of the Office, the text in the second language indicated by the applicant is authentic: art 116(3). As to the use of languages in the Office see para 185 ante.

189. Inspection of the Office's files. The files relating to a Community trade mark[1] application[2] which have not yet been published[3] must not be made available for inspection without the consent of the applicant[4]. However, any person who can prove that the applicant for a Community trade mark has stated that, after the trade mark has been registered, he will invoke the rights under it against him, may obtain inspection of the files prior to the publication of that application and without the consent of the applicant[5].

Subsequent to the publication of the Community trade mark application, the files relating to the application and the resulting trade mark may be inspected on request[6].

However, where the files are inspected pursuant to the above provisions[7], certain documents in the file may be withheld from inspection[8].

1 For the meaning of 'Community trade mark' see para 206 post.
2 As to applications for Community trade marks see paras 278–283 post.
3 As to publication see para 190 post.
4 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 84(1). Rules as to the keeping of files are provided for by EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark, art 1 r 91 (substituted by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)).
5 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 84(2).
6 Ibid art 84(3). The procedure for such inspection, and for communication of information in the files, is provided for by EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 rr 88–91 (r 89 amended by EC Commission Regulation 782/2004 (OJ L123, 27.4.04, p 88); and by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4); and EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) r 91 as substituted (see note 4 supra)).
7 Ie EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 84(2) or art 84(3).
8 Ie in accordance with the provisions of EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) (see para 178 ante): EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 84(4).

The parts of the file which must be excluded from inspection pursuant to this provision are: (1) documents relating to exclusion or objection pursuant to art 132 (conflicts of interest of examiners or members of the Divisions of the Office for Harmonisation in the Internal Market); (2) draft decisions and opinions, and all other internal documents used for the preparation of decisions and opinions; and (3) parts of the file which the party concerned showed a special interest in keeping confidential before the application for inspection of the files was made, unless inspection of such part of the file is justified by overriding legitimate interests of the party seeking inspection: EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 88. As to the Office see para 180 et seq ante.

190. Periodical publications. The Office for Harmonisation in the Internal Market[1] must periodically publish:

(1) a Community Trade Marks Bulletin containing entries made in the register of Community trade marks[2] as well as other prescribed particulars[3]; and
(2) an Official Journal containing notices and information of a general character issued by the President of the Office, as well as any other information relevant to implementation of the Community Trade Mark Regulation[4].

In this way, applications for and registrations of Community trade marks are published by the Office[5].

1 As to the Office see para 180 et seq ante.
2 As to the register of Community trade marks see para 188 ante.
3 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark (the 'Community Trade Mark Regulation'), art 85(a). The particulars referred to are those the publication of which is prescribed by that regulation, or by EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark. Article 1 r 85 (amended by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)) makes further provision for the publication of the Community Trade Marks Bulletin.

4 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 85(b). EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 86 makes further provision for the publication of the Official Journal of the Office. As to the President see paras 180–181 ante.
5 Applications are required to be published by virtue of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 40 (as substituted) (see para 279 post) and registrations must be registered by virtue of art 45 (see para 283 post).

191. Administrative co-operation and exchange of publications. Unless otherwise provided[1], the Office for Harmonisation in the Internal Market[2] and the courts or authorities of the member states must, on request, give assistance to each other by communicating information or opening files for inspection. Where the Office lays files open to inspection by courts, public prosecutors' offices or central industrial property offices, the inspection is not subject to the restrictions set down in the Community Trade Mark Regulation[3].

The Office and the central industrial property offices of the member states must despatch to each other on request and for their own use one or more copies of their respective publications free of charge[4].

The Office may conclude agreements relating to the exchange or supply of publications[5].

1 Ie in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark (the 'Community Trade Mark Regulation'), or in national laws.
2 As to the Office see para 180 et seq ante.
3 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 86. Further provision for co-operation between the Office and the authorities of the member states is provided for by EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark, art 1 rr 92–93.

As to the inspection of the Office's files, and the restrictions thereon, see EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 84; and para 189 ante.
4 Ibid art 87(1).
5 Ibid art 87(2).

(iii) Representation

192. Capacity to act. For the purpose of the Community Trade Mark Regulation[1], companies or firms and other legal bodies are regarded as legal persons if, under the terms of the law governing them, they have the capacity in their own name to have rights and obligations of all kinds, to make contracts or accomplish other legal acts and to sue and be sued[2].

1 Ie EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark.
2 Ibid art 3. If a legal body has these capacities it qualifies as a legal person within the meaning of art 3 even if the law governing it does not grant it legal personality: Case R 195/1998–1 *Nauta Dutilh's Application* [2000] ETMR 90, OHIM Board of Appeal.

193. General principles of representation. Subject to the following[1], no person is compelled to be represented[2] before the Office for Harmonisation in the Internal Market[3]. The exceptions are:

(1) natural or legal persons not having either their domicile or their principal place of business or a real and effective industrial or commercial establishment in the Community must be professionally represented[4] before the Office in all proceedings[5], other than in filing an application for a Community trade mark[6];
(2) natural or legal persons having their domicile or principal place of business or a real and effective industrial or commercial establishment in the Community may be represented before the Office by an employee[7]; and an employee of a legal person to which this provision applies may also represent other legal persons

which have economic connections with the first legal person, even if those other legal persons have neither their domicile nor their principal place of business nor a real and effective industrial or commercial establishment within the Community[8].

1 Ie subject to the provisions of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 88(2).
2 Ie professionally represented. For the provisions relating to professional representation see ibid art 89 (as amended); and paras 194–195 post.
3 Ibid art 88(1). As to the Office see para 180 et seq ante.
4 Ie represented in accordance with ibid art 89(1) (as amended): see para 194 post.
5 Ie proceedings established by EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1).
6 Ibid art 88(2). An exception is provided for by art 88(3) (as amended): see the text to note 8 infra. See also EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark, which may permit other exceptions: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 88(2).
7 EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) must specify whether and under what conditions an employee must file with the Office a signed authorisation for insertion on the file: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 88(4) (added by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)). EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) requires that employees file with the Office a signed authorisation and sets out the applicable conditions: art 1 r 76(2)–(4) (added by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)).
8 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 88(3) (amended by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)).

194. Professional representation. Representatives acting before the Office for Harmonisation in the Internal Market[1] must file with it a signed authorisation for insertion on the files[2].

Representation of natural or legal persons before the Office may only be undertaken by:

(1) any legal practitioner qualified in one of the member states and having his place of business within the Community, to the extent that he is entitled, within the said state, to act as a representative in trade mark matters[3]; or
(2) professional representatives whose names appear on the list maintained for this purpose by the Office[4].

1 As to the Office see para 180 et seq ante.
2 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 89(1). The details of such authorisation are set out in EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark, art 1 r 76 (amended by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)). Further provisions on representations are provided for by EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 rr 75, 77.
3 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 89(1)(a). As to the requirements to act as a representative in trade mark matters in the United Kingdom see para 31 et seq ante.
4 Ibid art 89(1)(b) (substituted by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1). EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) must specify whether and under what conditions the representatives before the Office must file with the Office a signed authorisation for insertion on the file: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 89(1)(b) (as so substituted). EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) provides that professional representatives entered on the list maintained by the Office must file with the Office a signed authorisation for insertion in the file only if the Office expressly requires it or where there are a several parties to the proceedings in which the representative acts before the Office if the other party expressly asks for it: art 1 r 76(1) (amended by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)). As to the list of professional representatives see para 195 post.

195. The list of professional representatives. Any natural person who fulfils the following conditions may be entered on the list of professional representatives[1]:

(1) he must be a national of one of the member states[2];

(2) he must have his place of business or employment in the Community[3]; and
(3) he must be entitled to represent natural or legal persons in trade mark matters before the central industrial property office of a member state[4].

Entry must be effected upon request, accompanied by a certificate furnished by the central industrial property office of the member state concerned indicating that the foregoing conditions[5] are fulfilled[6].

1 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 89(2).
The conditions under which a person may be removed from the list of professional representatives are laid down in EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 89(5). Amendment of the list of representatives is provided for by EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 78.
2 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 89(2)(a). The President of the Office for Harmonisation in the Internal Market may grant exemption from this requirement in special circumstances: art 89(4)(b). As to the President and the Office see paras 180–181 ante.
3 Ibid art 89(2)(b).
4 Ibid art 89(2)(c) (amended by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)). Where, in that member state, the entitlement is not conditional upon the requirement of special professional qualifications, persons applying to be entered on the list who act in trade mark matters before the central industrial property office of that state must have habitually so acted for at least five years. However, persons whose professional qualification to represent natural or legal persons in trade mark matters before the central industrial property office of one of the member states is officially recognised in accordance with the regulations laid down by such state is not subject to the condition of having exercised the profession: art 89(2)(c) (as so amended). The President of the Office may grant exemption from the requirement that a person applying to be entered onto the list must have habitually acted in trade mark matters before the central industrial property office of the member state for at least five years: art 89(4)(a).
5 Ie the conditions laid down in ibid art 89(2): see heads (1)–(3) in the text.
6 Ibid art 89(3).

196. Privilege for communications with professional representatives. Any communication as to any matter relating to the protection of any trade mark or as to any matter involving passing off[1]:

(1) between a person and his professional trade marks representative[2]; or
(2) for the purpose of obtaining, or in response to a request for, information which a person is seeking for the purpose of instructing his professional trade marks representative[3],

is privileged from disclosure in legal proceedings in the same way as a communication between a person and his solicitor or a communication for the purpose of obtaining, or in response to a request for, information which a person is seeking for the purpose of instructing his solicitor[4].

1 Community Trade Marks Regulations 2006, SI 2006/1027, reg 11(1), (2). As to passing off see para 304 et seq post.
2 Ibid reg 11(2)(a). A person's 'professional trade marks representative' means a person who is retained by and is on the special list of professional representatives for trade marks matters referred to in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 89 (see paras 194–195 ante): Community Trade Marks Regulations 2006, SI 2006/1027, reg 11(3).
3 Ibid reg 11(2)(b).
4 Ibid reg 11(2). Cf the Trade Marks Act 1994 s 87: see para 34 ante. As to legal professional privilege see BARRISTERS vol 3(1) (2005 Reissue) para 674; SOLICITORS vol 44(1) (Reissue) para 90.

(iv) Conversion into a National Trade Mark Application

197. Introduction. In some cases, a sign will satisfy the requirements for registration[1] as a Community trade mark[2] in some, but not all, member states[3]. In other cases, a mark may become liable to be revoked[4] or declared invalid[5] for reasons obtaining in some, but not all, member states[6]. However, a Community trade mark has equal

effect throughout the Community[7]. It cannot be valid in respect of only part of the Community: therefore, if it is liable to be refused registration, declared invalid, or revoked[8] in one member state, it cannot continue to be registered at all.

In order to mitigate possible unfair consequences of this, a Community trade mark or a Community trade mark application[9] may be converted into a national trade mark application[10]. Accordingly, the applicant for or proprietor of a Community trade mark may request the conversion of his Community trade mark application or Community trade mark into a national trade mark[11]:

(1) to the extent that the Community trade mark application is refused, withdrawn, or deemed to be withdrawn[12]; or

(2) to the extent that the Community trade mark ceases to have effect[13].

1 As to the requirements for registration as a Community trade mark see paras 205–223 post.
2 For the meaning of 'Community trade mark' see para 206 post.
3 See para 209 post.
4 For the grounds of revocation see para 237 et seq post.
5 For the grounds of invalidity see para 243 et seq post.
6 Eg a Community trade mark would be liable to revocation if, in consequence of acts or inactivity of the proprietor, it has become the common name of the product in respect of which it is registered: see EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 50(1)(b); and para 239 post.
7 See ibid art 1(2); and para 206 post.
8 As to whether a Community trade mark may be revoked for non-use if it is not used throughout the Community, or at least in a substantial part thereof, see paras 198 note 3, 237 note 5 post.
9 As to applications for Community trade marks see paras 278–283 post.
10 See EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) arts 108–110 (all as amended); the Community Trade Mark Regulations 2006, SI 2006/1027, reg 10; and paras 198–203 post.
11 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 108(1).
12 Ibid art 108(1)(a).
13 Ibid art 108(1)(b).

198. Limitation of right to convert. Conversion cannot take place:

(1) where the rights of the proprietor of the Community trade mark[1] have been revoked on the grounds of non-use[2], unless in the member state for which conversion is requested the Community trade mark has been put to use which would be considered to be genuine use under the laws of that member state[3]; or

(2) for the purpose of protection in a member state in which, in accordance with the decision of the Office for Harmonisation in the Internal Market[4] or of the national court[5], grounds for refusal of registration or grounds for revocation or invalidity apply to the Community trade mark application or Community trade mark[6].

1 For the meaning of 'Community trade mark' see para 206 post.
2 For revocation on the grounds of non-use see paras 237–238 post.
3 Ie EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 108(2)(a). This appears to imply that a Community trade mark may be revoked unless it is used in all member states or at least in a substantial part of the Community, contrary to the widely-held theory that use in one member state is sufficient to preserve a Community trade mark from revocation: see paras 237–238 post. The law relating to genuine use in the member states derives from EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, arts 10(1), 12(1) (which are in materially identical terms to the equivalent provisions in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) (i e arts 15, 50(1))). So, in principle, the answer to the question 'has the Community trade mark has been put to genuine use?' should yield the same answer under EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) as under the laws of the member states unless the former requires use in all member states or at least in a substantial part of the Community.
4 As to the Office see para 180 et seq ante.
5 See para 251 et seq post.
6 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 108(2)(b).

199. Time for filing a request for conversion. In cases where a Community trade mark application[1] is deemed to be withdrawn, the Office[2] must send to the applicant a communication fixing a period of three months from the date of that communication in which a request for conversion may be filed[3].

Where the Community trade mark application is withdrawn or the Community trade mark ceases to have effect as a result of a surrender being recorded[4] or of failure to renew the registration[5], the request for conversion must be filed within three months after the date on which the Community trade mark application has been withdrawn or on which the registration of the Community trade mark ceases to have effect[6].

Where the Community trade mark application is refused by decision of the Office or the Community trade mark ceases to have effect as a result of a decision of the Office or of a Community trade mark court, the request for conversion must be filed within three months after the date on which that decision acquired the authority of a final decision[7].

If the request is not filed within the period laid down, the Office will not transmit the request for conversion to the central industrial property offices of the relevant member states[8].

1 For the meaning of 'Community trade mark' see para 206 post. As to applications for Community trade marks see paras 278–283 post.
2 As to the Office see para 180 et seq ante.
3 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 108(4) (art 108(4)–(6) substituted by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)).
4 As to surrender of a Community trade mark see EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 49; and para 236 post.
5 As to renewal of a Community trade mark see ibid art 47; and para 283 post.
6 Ibid art 108(5) (as substituted: see note 3 supra).
7 Ibid art 108(6) (as substituted: see note 3 supra).
8 See ibid art 109(3) (as substituted); and para 200 post. Further, the effect referred to in art 32 (date of filing of application equivalent to regular national filing: see para 278 note 23 post) lapses if the request is not filed in due time: art 108(7).

200. Submission of a request for conversion. A request for conversion must be filed with the Office for Harmonisation in the Internal Market[1] and must specify the member states in which application of the procedure for registration of a national trade mark is desired[2].

If the Community trade mark application[3] has been published[4], receipt of any such request must be recorded in the register of Community trade marks[5] and the request for conversion must be published[6].

The Office must check whether conversion may be requested[7], whether the request has been filed within the prescribed period[8], whether the conversion fee has been paid[9] and whether the request fulfills the formal conditions[10]. If all these conditions are fulfilled, the Office must transmit the request to the central industrial property offices of the states specified therein[11].

1 As to the Office see para 180 et seq ante.
2 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 109(1). As to what the request must contain see EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark, art 1 r 44 (substituted by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)).
The request will not be deemed to be filed until the conversion fee has been paid: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 109(1). As to fees see para 184 ante.
3 For the meaning of 'Community trade mark' see para 206 post. As to applications for Community trade marks see paras 278–283 post.
4 As to publication see para 190 ante.
5 As to the register of Community trade marks see para 188 ante.
6 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 109(2).
7 Ie in accordance with ibid art 108(1), (2): see paras 197–198 ante.

8 Ie the period laid down in ibid art 108(4), (5), or (6) (all as substituted), as the case may be: see para 199 ante.
9 Ie in accordance with ibid 109(1): see the text and note 2 supra.
10 Ie laid down in EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 44 (as substituted: see note 2 supra).
11 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 109(3) (substituted by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)). The procedure for examination, publication and transmission of the request is provided for by EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 rr 45–47 (rr 45, 47 substituted by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)).

201. Formal requirements for conversion. Any central industrial property office to which the request for conversion is transmitted may obtain from the Office for Harmonisation in the Internal Market[1] any additional information concerning the request enabling that office to make a decision regarding the national trade mark resulting from that conversion[2].

Any central industrial property office to which the request is transmitted may require that the applicant must, within not less than two months[3]:

(1) pay the national application fee[4];
(2) file a translation in one of the official languages of the state in question of the request and of the documents accompanying it[5];
(3) indicate an address for service in the state in question[6];
(4) supply a representation[6] of the trade mark in the number of copies specified by the state in question[8].

1 As to the Office see para 180 et seq ante.
2 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 110(1) (substituted by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)). A Community trade mark application or a Community trade mark transmitted in accordance with EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 109 (as amended) (see para 200 ante) must not be subjected to formal requirements of national law which are different from or additional to those provided for in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) or in EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 110(2).

As to the procedure on receipt of such an application by the United Kingdom registrar see para 202 post.
3 Ibid art 110(3).
4 Ibid art 110(3)(a).
5 Ibid art 110(3)(b).
6 Ibid art 110(3)(c).
7 As to the requirements of a representation see para 278 note 10 post.
8 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 110(3)(d).

202. Request for conversion to be treated as application under the Trade Marks Act 1994. Where pursuant to the relevant provisions[1] either:

(1) the applicant for or the proprietor of a Community trade mark[2] requests the conversion of his Community trade mark application or Community trade mark into an application for registration of a trade mark under the Trade Marks Act 1994[3]; or
(2) the holder of an international registration designating the European Community[4] requests[5] the conversion of that designation into an application for registration of a trade mark under the Trade Marks Act 1994[6],

the following[7] applies[8].

Where the request has been transmitted to the registrar[9], it must be treated as an application for registration of a trade mark under the Trade Marks Act 1994[10].

1 Ie EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 108 (as amended): see paras 197–199 ante.

2 For the meaning of 'Community trade mark' see para 206 post.
3 Community Trade Mark Regulations 2006, SI 2006/1027, reg 10(1)(a). For the meaning of 'registration' under the Trade Marks Act 1994 see para 19 note 2 ante.
4 An 'international registration designating the European Community' means an international registration in relation to which a request has been made (either in the relevant international application or subsequently) for extension of protection to the European Community under the Madrid Protocol art 3 (ter) (1) or (2): Community Trade Mark Regulations 2006, SI 2006/1027, reg 2. As to the Madrid Protocol see para 8 ante. As to international registrations see para 11 et seq ante.
5 In accordance with EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 154(1)(a) (added by EC Council Regulation 1992/2003 (OJ L296, 14.11.03, p 1)).
6 Community Trade Mark Regulations 2006, SI 2006/1027, reg 10(1)(b).
7 Ie ibid regs 2, 10(2), (3) (see the text and notes 9, 10 infra).
8 Ibid reg 10(1).
9 Ie under EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 109(3) (as substituted): see para 200 ante. As to the registrar see para 17 ante.
10 Community Trade Mark Regulations 2006, SI 2006/1027, reg 10(2). A decision of the registrar in relation to the request must be treated as a decision of the registrar under the Trade Marks Act 1994: Community Trade Mark Regulations 2006, SI 2006/1027, reg 10(3). As to appeals from decisions of the registrar see para 404 et seq post.

203. Filing date, priority and seniority of converted application. The national trade mark application resulting from conversion of a Community trade mark[1] application or a Community trade mark enjoys in respect of the member states concerned the date of filing or the date of priority[2] of the Community application or trade mark[3]. Where seniority has been claimed[4] by the Community trade mark application from a national trade mark in the state concerned, the national converted application enjoys that claim to seniority[5].

1 For the meaning of 'Community trade mark' see para 206 post.
2 As to priority see para 284 et seq post.
3 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 108(3). This does not mean that a national trade mark resulting from conversion of a Community trade mark during the course of opposition proceedings founded on that Community trade mark may be relied upon as founding such proceedings: Case R 286/2002–3 *SFI Group plc v Sandhu* (unreported, 12 June 2003), OHIM Board of Appeal.
4 Ie under EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 34 or art 35 (as substituted): see paras 287–288 post.
5 Ibid art 108(3).

(v) Reciprocity

204. In general. For the purposes of determining rights to priority[1], it is necessary for the Office for Harmonisation in the Internal Market[2] to establish whether a state which is not a party to the Paris Convention[3] or to the WTO Agreement[4] accords reciprocal treatment to first filings made at the Office.

If necessary, the President of the Office must request the EC Commission to inquire whether a state which is not a party to the Paris Convention or to the WTO Agreement accords reciprocal treatment within the meaning of the relevant provisions[5]. If the EC Commission determines that such reciprocal treatment is accorded, it must publish a communication to this effect in the Official Journal of the European Union[6].

The relevant provisions[7] take effect for the nationals of the states concerned from the date of publication in the Official Journal of the European Union of such a communication, unless the communication states an earlier date from which it is applicable. They cease to be effective from the date of publication in the Official Journal of the European Union of a communication to the effect that reciprocal treatment is no longer accorded, unless the communication states an earlier date from which it is applicable[8].

1 Ie under the provisions of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 29(5) (as amended) (priority of certain applications: see para 284 post).
2 As to the Office see para 180 et seq ante.
3 As to the Paris Convention see para 6 ante.
4 As to the WTO Agreement see para 7 ante.
5 EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark, art 1 r 101(1) (art 1 r 101(1)–(3) substituted by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)). As to the relevant provisions see note 1 supra.
6 EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 101(2) (as substituted: see note 5 supra). Any such communication must also be published in the Official Journal of the Office: art 1 r 101(4). As to the Official Journal of the Office see para 190 ante.
7 See note 1 supra.
8 EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 101(3) (as substituted: see note 5 supra). Any such communication must also be published in the Official Journal of the Office: art 1 r 101(4).

(3) REQUIREMENTS FOR REGISTRATION

(i) Introduction

205. In general. Any sign may be registered as a Community trade mark[1] unless one of a number of specified grounds for refusal exists. The grounds for refusal are divided into two classes, described in the Community Trade Mark Regulation[2] as 'absolute grounds for refusal'[3] and 'relative grounds for refusal'[4]. This corresponds to the division under the Trade Marks Act 1994[5].

Where grounds for refusal of registration exist in respect of only some of the goods or services for which a Community trade mark has been applied for, refusal of registration must cover those goods or services only[6].

1 For the meaning of 'Community trade mark' see para 206 post.
2 Ie EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark.
3 See ibid art 7 (as amended); and para 209 et seq post.
4 See ibid art 8 (as amended); and para 218 et seq post.
5 See paras 55–82 ante.
6 See EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 38(1) (see para 279 post), art 43(5) (see para 282 post), art 50(2) (see para 241 post), and arts 51(3), 52(5) (see para 246 post). Cf EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 13.

206. Meaning of 'Community trade mark'. A Community trade mark is defined as a trade mark[1] for goods or services which is registered[2] in accordance with the conditions contained in the Community Trade Mark Regulation[3] and in the manner there provided[4].

A Community trade mark has a unitary character. It has equal effect throughout the Community. Thus it may not be registered, transferred or surrendered, or be the subject of a decision revoking the rights of the proprietor or declaring it invalid, nor may its use be prohibited, save in respect of the whole Community[5].

1 'Trade mark' is not defined in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark; but a sign which is not a trade mark within the meaning of the Trade Marks Act 1994 (see para 57 ante) may not be registered as a Community trade mark: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) arts 4, 7(1)(a); and see paras 208, 210 post.
2 Ie under ibid art 45: see para 283 post.
3 Ie EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark.
4 Ibid art 1(1). Thus a Community trade mark is obtained by registration: art 6. As to the conditions for registration see paras 209–223 post. As to the manner of registration see paras 278–283 post. Note that Community trade marks may now be obtained via an international application under the Madrid

Protocol (see para 8 ante): see para 176 ante. Such trade marks are referred to in the Trade Marks Act 1994 as 'international trade marks (EC)': see para 8 note 17 ante.

5 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 1(2). This principle applies unless otherwise provided in the Regulation: art 1(2). Earlier national rights may be invoked to prohibit the use of Community trade marks only in certain circumstances: see art 106; and para 259 post.

207. Persons who can be proprietors of Community trade marks. Any natural or legal person[1], including authorities established under public law, may be the proprietor of a Community trade mark[2].

1 As to which bodies constitute legal persons for these purposes see para 192 ante. The Office for Harmonisation in the Internal Market apparently considers that an English partnership can own a Community trade mark: see *Byford v Oliver* [2003] EWHC 295 (Ch), [2003] EMLR 416; *Michaels Foodmarket v Drinkstop Ltd* (O/168/05), Appointed Person.

2 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 5 (substituted by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)). For the meaning of 'Community trade mark' see para 206 ante.

208. Signs of which a Community trade mark may consist. A Community trade mark[1] may consist of any signs capable of being represented graphically[2], particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are capable of distinguishing[3] the goods or services of one undertaking from those of other undertakings[4].

1 For the meaning of 'Community trade mark' see para 206 ante.

2 As to the requirement that the sign is capable of being represented graphically see para 57 note 2 ante.

3 As to the requirement that signs are capable of distinguishing goods or services of one undertaking from other undertakings see para 57 note 3 ante.

4 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 4. Signs which do not satisfy the requirements of art 4 may not be registered: see art 7(1)(a); and para 210 post.

(ii) Absolute Grounds for Refusal of Registration

209. In general. The absolute grounds for refusal of registration[1] of a Community trade mark[2] prohibit registration notwithstanding that the grounds of non-registrability[3] obtain in only a part of the Community[4].

1 Ie those set out in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 7(1). As to the absolute grounds generally see para 58 ante.

2 For the meaning of 'Community trade mark' see para 206 ante.

3 As to the grounds of non-registrability see para 210 et seq post.

4 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 7(2); Case T-91/99 *Ford Motor Co v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2000] ECR II-1925, [2000] 2 CMLR 276, CFI. Thus it is sufficient to render a trade mark ineligible for registration that the trade mark is descriptive (see EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 7(1)(c); and para 211 post) or otherwise devoid of distinctive character (see art 7(1)(b); and para 211 post) in the language of one member state: Case C-383/99P *Procter & Gamble Co v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2002] Ch 82, [2001] ECR I-6251, [2002] All ER (EC) 29, ECJ. Similarly a trade mark may be ineligible for registration on relative grounds (see para 218 et seq post) due to the existence of an conflicting earlier trade mark or right in one member state: see Case R 415/1999–1 *Goldshield Group plc v Unilever plc* (12 September 2000, unreported), OHIM Board of Appeal. For the meaning of 'earlier trade mark' see para 218 post.

210. Signs which cannot constitute trade marks. Signs which do not satisfy the requirements as to what a Community trade mark[1] may consist of[2] must not be registered[3].

1 For the meaning of 'Community trade mark' see para 206 ante.

2 Ie signs which do not satisfy the requirements of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 4: see para 208 ante.
3 Ibid art 7(1)(a). As to the meaning of 'registered' in this context see para 283 note 5 post.

211. Lack of distinctive character. The following must not be registered[1] as Community trade marks[2]:

(1) trade marks[3] which are devoid of any distinctive character[4];
(2) trade marks which consist exclusively of signs or indications which may serve, in trade[5], to designate the kind, quality, quantity, intended purpose, value, geographical origin, time of production of goods or of rendering of services, or other characteristics of goods or services[6];
(3) trade marks which consist exclusively of signs or indications which have become customary in the current language or in the bona fide and established practices of the trade[7].

However, these prohibitions do not apply if the trade mark has become distinctive in relation to the goods or services for which registration is requested in consequence of the use which has been made of it[8].

1 As to the meaning of 'registered' in this context see para 283 note 5 post.
2 For the meaning of 'Community trade mark' see para 206 ante.
3 As to the meaning of 'trade mark' in this context see para 206 note 1 ante.
4 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 7(1)(b). As to the meaning of 'devoid of distinctive character' see para 60 note 3 ante.
5 For the purposes of the equivalent provision in the Trade Marks Act 1994, 'trade' includes any business or profession: see s 103(1); and para 60 note 4 ante.
6 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 7(1)(c). As to the meaning of this provision see further para 60 note 5 ante. A Community collective mark which consists of signs or indications which may designate the geographical origin of goods or services may, however, be registered: see art 64(2); and para 296 post. As to Community collective marks see paras 295–301 post.
7 Ibid art 7(1)(d). As to the meaning of this provision see further para 60 note 6 ante.
8 Ibid art 7(3). As to distinctive character acquired as a result of use see para 61 ante. Such distinctive character through use must be acquired in the part of the Community in which the trade mark is devoid of distinctive character: Case T-91/99 *Ford Motor Co v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2000] ECR II-1925, [2000] 2 CMLR 276, CFI; Case C-108/05 *Bovemij Verzekeringen NV v Benelux-Merkenbureau* [2007] ETMR 29, [2006] All ER (D) 46 (Sep), ECJ. It is not necessary to consider whether the mark has acquired a distinctive character, however, unless the applicant or proprietor has invoked EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 7(3): Case C-136/02P *Mag Instrument Inc v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR I-9165, [2004] All ER (D) 75 (Oct), ECJ. An applicant may, however, invoke EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 7(3) on appeal to the Board of Appeal even if he has not done so at first instance: Case T-163/98 *Procter & Gamble Co v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [1999] ECR II-2383, [1999] All ER (EC) 648, CFI; revsd on other grounds Case C-383/99P *Procter & Gamble Co v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2002] Ch 82, [2001] ECR I-6251, [2002] All ER (EC) 29, ECJ. As to appeals to the Board of Appeal see paras 291–293 post.

212. Shape. A sign must not be registered as a Community trade mark[1], if it consists exclusively of[2]:

(1) the shape which results from the nature of the goods[3] themselves[4];
(2) the shape of goods which is necessary to obtain a technical result[5]; or
(3) the shape which gives substantial value to the goods[6].

1 For the meaning of 'Community trade mark' see para 206 ante.
2 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 7(1)(e). As to the purpose of these provisions see para 62 note 2 ante. As to the meaning of 'registered' in this context see para 283 note 5 post.
3 As to the goods to be considered see para 62 note 3 ante.
4 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 7(1)(e)(i). As to the meaning of this provision see further para 62 note 3 ante.

5 Ibid art 7(1)(e)(ii). As to the meaning of this provision see further para 62 note 4 ante.
6 Ibid art 7(1)(e)(iii). As to the meaning of this provision see further para 62 note 5 ante.

213. Public policy; immoral trade marks. A Community trade mark[1] must not be registered[2] if it is contrary to public policy[3] or to accepted principles of morality[4].

1 As to the meaning of 'Community trade mark' see para 206 ante.
2 As to the meaning of 'registered' in this context see para 283 note 5 post.
3 As to the meaning of 'public policy' see para 63 note 3 ante.
4 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 7(1)(f). As to the meaning of this provision see further para 63 note 4 ante.

214. Deceptive trade marks. A Community trade mark[1] must not be registered[2] if is is of such a nature as to deceive the public, for instance as to the nature, quality or geographical origin of the goods or service[3].

1 For the meaning of 'Community trade mark' see para 206 ante.
2 As to the meaning of 'registered' in this context see para 283 note 5 post.
3 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 7(1)(g). As to the meaning of this provision see further para 64 note 3 ante.

215. State emblems etc protected under the Paris Convention. The Paris Convention[1] contains provisions prohibiting the registration of certain specially protected signs, which are incorporated by reference into the Community Trade Mark Regulation[2].

Under the Paris Convention, the signatories must:

(1) refuse or invalidate the registration, without authorisation of the competent authorities, either as trade marks or elements of trade marks, of armorial bearings, flags and other state emblems, of signatories to the Convention, official signs and hallmarks indicating control and warranty adopted by them[3], and any imitation from a heraldic point of view[4];

(2) refuse or invalidate the registration, either as trade marks or elements of trade marks, of armorial bearings, flags and other emblems, abbreviations and names of international intergovernmental organisations of which one or more signatories to the Convention are members, with the exception of armorial bearings, flags and other emblems, abbreviations and names that are already the subject of international agreements in force, intended to ensure their protection[5].

In the case of state flags, the prohibition under head (1) above applies solely to marks registered after 6 November 1925[6]. In the case of all other signs under heads (1) and (2) above, the prohibition applies only to marks registered two or more months after receipt of a communication[7] that the signatory or international intergovernmental organisation wishes, wholly or within certain limits, to place the sign within the protection provided for by heads (1) and (2) above[8].

The above is subject to the provision that, in cases of bad faith, the signatories have the right to cancel even those marks incorporating state emblems, signs and hallmarks which were registered before 6 November 1925[9].

1 As to the Paris Convention see para 6 ante.
2 See EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 7(1)(h), (i) (see para 216 post), which incorporates by reference the provisions of the Paris Convention art 6 (ter). As to the manner in which the United Kingdom has incorporated these provision into domestic law see the Trade Marks Act 1994 s 56 (as amended); and para 153 ante.
3 Prohibition of the use (and, presumably, registration as a trade mark) of official signs and hallmarks indicating control and warranty apply solely in cases where the marks in which they are incorporated are intended to be used on goods of the same or similar kind: Paris Convention art 6 (ter) (2).

4 Ibid art 6 (ter) (1)(a).
5 Ibid art 6 (ter) (1)(b). Signatories to the Convention are not required to apply this provision: (1) to the prejudice of owners of rights acquired in good faith before the entry into force, in that country, of the Convention; or (2) when the registration is not of such a nature as to suggest to the public that a connection exists between the organisation concerned and the armorial bearings, flags, emblems, abbreviations and names, or if such registration is probably not of such a nature as to mislead the public as to the existence of a connection between the user and the organisation: art 6 (ter) (1)(c).
6 Ibid art 6 (ter) (5).
7 Ie in accordance with ibid art 6 (ter) (3).
8 Ibid art 6 (ter) (6).
9 Ibid art 6 (ter) (7).

216. Prohibition on registration of state emblems etc as Community trade marks. The following must not be registered[1] as Community trade marks[2]:

(1) trade marks which have not been authorised by the competent authorities and are to be refused pursuant to the Paris Convention[3]; or
(2) trade marks which include badges, emblems or escutcheons other than those covered by head (1) above and which are of particular public interest, unless the consent of the appropriate authorities to their registration has been given[4].

1 As to the meaning of 'registered' in this context see para 283 note 5 post.
2 As to the meaning of 'Community trade mark' see para 206 ante.
3 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 7(1)(h). The text refers to refusal pursuant to the Paris Convention art 6 (ter): see para 215 ante. As to the Paris Convention see para 6 ante.
4 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 7(1)(i).

217. Geographical indications and designations of origin. The following must not be registered[1] as Community trade marks[2]:

(1) trade marks for wines which contain or consist of a geographical indication identifying wines, or for spirits which contain or consist of a geographical indication identifying spirits with respect to such wines or spirits not having that origin[3];
(2) trade marks which contain or consist of a protected designation of origin or a protected geographical indication[4] when they correspond to one of the protected situations[5] and regarding the same type of product, on condition that the application for registration of the trade mark has been submitted after the date of filing of the application for registration of the designation of origin or geographical indication[6].

1 As to the meaning of 'registered' in this context see para 283 note 5 post.
2 As to the meaning of 'Community trade mark' see para 206 ante.
3 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 7(1)(j) (added by EC Council Regulation 3288/94 (OJ L349, 31.12.94, p 83)). This provision was added in order to give effect to the Agreement on Trade-Related Aspects of Intellectual Property Rights ('TRIPs') (1994) (Cm 2557) art 23(2): see EC Council Regulation 3288/94 (OJ L349, 31.12.94, p 83), 4th recital. As to TRIPs see para 7 ante.
4 Ie registered in accordance with EC Council Regulation 510/2006 (OJ L93, 31.3.06, p 12) on the protection of geographical indications and designations of origin for agricultural products and foodstuff. See further para 302 et seq post.
5 Ie under EC Council Regulation 510/2006 (OJ L93, 31.3.06, p 12) art 13.
6 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 7(1)(k) (added by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1); and amended by virtue of EC Council Regulation 510/2006 (OJ L93, 31.3.06, p 12)).

(iii) Relative Grounds for Refusal of Registration

218. Meaning of 'earlier trade mark'. For the purposes of the registration of a Community trade mark[1], an 'earlier trade mark' means:

(1) a Community trade mark, a trade mark registered in a member state, or at the Benelux Trade Mark Office or a trade mark registered under international arrangements which have effect either in a member state or in the Community[2], provided the mark has a date of application for registration[3] which is earlier than the date of registration of the Community trade mark, taking account (where appropriate) of the priorities[4] claimed in respect of those trade marks[5];

(2) applications for the trade marks referred to in head (1) above, subject to their registration[6]; and

(3) trade marks which, at the date of application for registration of the Community trade mark, or, where appropriate, of the priority claimed in respect of the application for registration of the Community trade mark, are well known[7] in a member state[8].

Most of the relative grounds for refusal of registration[9] depend upon the existence of an earlier trade mark[10].

1 For the meaning of 'Community trade mark' see para 206 ante.
2 Ie under the Madrid Agreement or Madrid Protocol: see para 8 ante.
3 The date of application of the registration is the date of filing the application. As to the date of filing an application for a Community trade mark see para 278 note 23 post.
4 As to claims to priority of other applications see para 284 et seq post.
5 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 8(2)(a) (amended by EC Council Regulation 1992/2003 (OJ L296, 14.11.03, p 1)). A national trade mark resulting from conversion of a Community trade mark application during the course of opposition does not constitute an 'earlier trade mark': Case R 286/2002–3 *SFI Group plc v Sandhu* (12 June 2003, unreported), OHIM Board of Appeal.
6 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 8(2)(b).
7 Ie well known within the meaning of the Paris Convention art 6 (bis). See further para 153 ante. As to the Paris Convention see para 6 ante.
8 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 8(2)(c).
9 See para 219 et seq post.
10 If the earlier trade mark expires during the course of opposition proceedings it can no longer be relied upon: Case T-191/04 *MIP Metro Group Intellectual Property GmbH & Co KG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] All ER (D) 57 (Sep), CFI. Cf the position under the Trade Marks Act 1994 s 6 (as amended): see para 70 note 19 ante.

219. Identical earlier mark for identical goods or services. Upon opposition[1] by the proprietor of an earlier trade mark[2], a trade mark must not be registered[3], if it is identical[4] with the earlier trade mark and the goods or services for which registration is applied for are identical[5] with the goods or services for which the earlier trade mark is protected[6].

1 As to opposing an application for registration of a Community trade mark see EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, arts 42–43; and para 282 post.
2 For the meaning of 'earlier trade mark' see para 218 ante.
3 As to the meaning of 'registered' in this context see para 283 note 5 post.
4 As to the meaning of 'identical' in this context see para 71 note 3 ante.
5 As to the meaning of 'identical' in this context see para 71 note 5 ante.
6 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 8(1)(a). Cf the corresponding infringement provisions: see art 9(1)(a); and para 226 post.

220. Identical earlier mark and similar goods or services; similar earlier mark and identical or similar goods or services. Upon opposition[1] by the proprietor of an earlier trade mark[2], a trade mark must not be registered[3], if because of its identity with or similarity to the earlier trade mark and the identity or similarity of the goods or services[4] covered by the trade mark there exists a likelihood of confusion

on the part of the public in the territory in which the earlier trade mark is protected[5]. The likelihood of confusion includes the likelihood of association with the earlier trade mark[6].

1 As to opposing an application for registration of a Community trade mark see EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, arts 42–43; and para 282 post.
2 For the meaning of 'earlier trade mark' see para 218 ante.
3 As to the meaning of 'registered' in this context see para 283 note 5 post.
4 As to the meaning of 'similarity of the goods or services' see para 73 ante.
5 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 8(1)(b). As to the likelihood of confusion see para 74 ante.
6 Ibid art 8(1)(b). See also para 74 ante.

221. Identical or similar mark for dissimilar goods or services. Upon opposition[1] by the proprietor of an earlier trade mark[2], a trade mark must not be registered[3] where it is identical with or similar to the earlier trade mark and is to be registered for goods or services which are not similar[4] to those for which the earlier trade mark is registered, where:

(1) in the case of an earlier Community trade mark[5], the trade mark has a reputation[6] in the Community; or
(2) in the case of an earlier national trade mark[7], the trade mark has a reputation in the member state concerned,

and the use of a trade mark applied for without due cause[8] would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark[9].

1 As to opposing an application for registration of a Community trade mark see EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, arts 42–43; and para 282 post.
2 For the meaning of 'earlier trade mark' see para 218 ante.
3 As to the meaning of 'registered' in this context see para 283 note 5 post.
4 This ground of objection can be invoked when the goods or services are identical or similar as well as when they are dissimilar: see para 75 note 10 ante.
5 For the meaning of 'Community trade mark' see para 206 ante.
6 As to the meaning of 'reputation' see para 75 note 7 ante.
7 Ie those trade marks (and applications for trade marks), other than Community trade marks, which are specified by EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 8(2). See para 218 head (1) ante.
8 As to the meaning of 'without due cause' see para 75 note 9 ante.
9 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 8(5). As to the tests of unfair advantage and detriment see para 76 ante.

222. Refusal by virtue of an earlier right. Upon opposition[1] by the proprietor[2] of a non-registered trade mark[3] or of another sign[4] used in the course of trade of more than mere local significance[5], a trade mark must not be registered as a Community trade mark[6] where and to the extent that, pursuant to the Community legislation or the law of the member state governing that sign[7]:

(1) rights to the sign were acquired prior to the date of application for registration of the Community trade mark, or the date of priority[8] claimed for the application for registration of the Community trade mark[9]; and
(2) that sign confers on its proprietor the right to prohibit the use[10] of a subsequent trade mark[11].

1 As to opposing an application for registration of a Community trade mark see EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, arts 42–43; and para 282 post.
2 'Proprietor' is not defined for the purposes of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1). In this context, it presumably means a person who is recognised by law as owning a right in respect of the trade mark, such as a right in passing off. As to ownership of goodwill at common law see para 313 post.
3 'Non-registered mark' is not defined for the purposes of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1). It would presumably include a trade mark protected by the law of passing off, even though,

strictly speaking, the right protected by passing off is not a right in a non-registered trade mark, but in the goodwill of a business. See further para 306 post.

4 An appellation of origin is a sign used in the course of trade within EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 8(4): Decisions 1645/01–1647/01 and 1645/2001 *Budejovicky Budvar NP v Anheuser-Busch Inc* (OJ OHIM 12/01 p 2335), OHIM Opposition Division; affd on other grounds Cases R 820/2001–2–R 822/2001–2 and R 921/2001–2 *Budejovicky Budvar NP v Anheuser-Busch Inc* (3 December 2003, unreported), OHIM Board of Appeal. It is presumed that the same would apply to protected designations of origin and protected geographical indications (see para 302 post). Rights to a name or likeness in the nature of copyrights or personality rights cannot be relied upon under EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 8(4) but must be invoked under art 52(2) (see para 245 post): Decision 506/2000 *EinStein Stadtcafé Verwaltungs- und Betriebsgesellschaft mbH's Application, Opposition of Hebrew University of Jerusalem* [2000] ETMR 952, OHIM Opposition Division.

5 Whether a sign is of 'more than mere local significance' does not depend on geographical criteria alone but also upon considerations such as the intensity of marketing and the size of the population concerned: Decision 2149/2000 *McCann-Erickson Advertising Ltd's Application* [2001] ETMR 52, OHIM Opposition Division; Decision 572C/002386126/1 *Garware Polyester Ltd v Coveme SpA* (10 November 2004, unreported), OHIM Cancellation Division. Cf *Compass Publishing BV v Compass Logistics Ltd* [2004] EWHC 520 (Ch), [2004] RPC 809, [2004] 17 LS Gaz R 32 (holding that a mark should be considered as having mere local significance if its geographical spread is restricted to substantially less than the whole of the European Union and, from the perspective of the Community market in the services or goods in question, the mark is of little significance; Decision 2149/2000 *McCann-Erickson Advertising Ltd's Application* supra and other OHIM decisions to similar effect were not cited).

6 For the meaning of 'Community trade mark' see para 206 ante.

7 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 8(4) (amended by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)).

8 As to priority see para 284 post.

9 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 8(4)(a).

10 'Use' in this context presumably means use in relation to the goods or services for which the application for the Community trade mark is made.

11 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 8(4)(b). As to passing off see para 304 et seq post.

223. Attempts by agent or representative to register trade mark. Upon opposition[1] by the proprietor[2] of the trade mark, a Community trade mark[3] must not be registered[4] where an agent or representative[5] of the proprietor of the trade mark applies for registration of it in his own name without the proprietor's consent[6], unless the agent justifies his action[7].

1 As to opposing an application for registration of a Community trade mark see EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, arts 42–43; and para 282 post.

2 As to the meaning of 'the proprietor' see para 222 note 2 ante.

3 For the meaning of 'Community trade mark' see para 206 ante.

4 As to the meaning of 'registered' in this context see para 283 note 5 post.

5 As to the meaning of 'agent or representative' see para 154 note 3 ante.

6 Such consent must be clear, specific and unconditional and must be valid on the day of application for registration: Case T-6/05 *DEF-TEC Defense Technology GmbH v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] All ER (D) 23 (Sep), CFI.

7 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 8(3). This implements the Paris Convention art 6 (septies) (1). As to the Paris Convention see para 6 ante. As to justification see para 154 note 15 ante.

(4) EFFECTS OF COMMUNITY TRADE MARKS

224. Rights conferred by registered trade mark. A Community trade mark[1] confers on the proprietor exclusive rights in it[2]. These rights are expressed as giving the proprietor the right to prevent all third parties not having his consent from doing certain acts[3].

The effects of Community trade marks are governed solely by Community legislation[4]; but in other respects, infringement of a Community trade mark is governed by the national law relating to infringement[5].

1 For the meaning of 'Community trade mark' see para 206 ante.
2 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 9(1).
3 Ibid art 9(1). Although the acts set out in art 9(1) are not expressly described as amounting to an infringement of the Community trade mark, elsewhere the term infringement is often used interchangeably with a reference to the effects of a Community trade mark.

As to infringement by use of a trade mark outside the jurisdiction see para 84 note 3 ante; and for the meaning of references to doing anything with or without the consent of the proprietor of a registered trade mark see para 276 note 4 post.
4 Ie EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1).
5 Ibid art 14(1). As to the bringing of an action for infringement see para 257 et seq post.

225. Date from which right runs. The rights conferred by a Community trade mark[1] prevail against third parties from the date of publication of registration of the trade mark[2].

However, reasonable compensation may be claimed in respect of matters arising after the date of publication of a Community trade mark application, which would, after publication of the registration of the trade mark, be prohibited[3] by virtue of the publication[4].

1 For the meaning of 'Community trade mark' see para 206 ante.
2 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 9(3). As to the publication of registration of a trade mark as a Community trade mark see para 190 ante.
3 Ie the acts which the proprietor is or would be entitled to prevent under ibid arts 9(1), 11: see para 226 et seq post.
4 Ibid art 9(3). The court seized of the case may not decide on the merits until after the registration has been published: art 9(3).

226. Identical mark for identical goods or services. The proprietor of a Community trade mark[1] is entitled to prevent third parties not having his consent from using[2] in the course of trade[3] a sign which is identical with the Community trade mark in relation to goods or services which are identical with those for which the Community trade mark is registered[4].

1 For the meaning of 'Community trade mark' see para 206 ante.
2 As to the meaning of 'use' see para 229 post.
3 'Trade' is not defined for the purposes of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark. For the definition of 'trade' given in respect of the corresponding provision in the Trade Marks Act 1994 see para 60 note 4 ante.
4 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 9(1)(a). As to the corresponding relative ground of refusal see art 8(1)(a); and para 219 ante. As to the limits on the effect of a Community trade mark see paras 232–233 post; and as to the exhaustion of rights conferred by a Community trade mark see para 234 post.

227. Identical mark for similar goods or services; similar mark for identical goods or services. The proprietor of a Community trade mark[1] is entitled to prevent third parties not having his consent from using[2] in the course of trade[3] any sign where because of its identity with or similarity to the Community trade mark and the identity or similarity of the goods or services[4] covered by the Community trade mark and the sign, there exists a likelihood of confusion on the part of the public. The likelihood of confusion includes the likelihood of association between the sign and the trade mark[5].

1 For the meaning of 'Community trade mark' see para 206 ante.
2 As to the meaning of 'use' see para 229 post.
3 As to the meaning of 'trade' see para 226 note 3 ante.
4 As to 'similarity of the goods or services' see para 73 ante.
5 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 9(1)(b). As to the corresponding relative ground for refusal of registration see art 8(1)(b); and para 220 ante. As to the

likelihood of confusion see para 74 ante; as to the limits on the effect of a Community trade mark see paras 232–233 post; and as to the exhaustion of rights conferred by a Community trade mark see para 234 post.

228. Identical or similar mark for dissimilar goods or services. The proprietor of a Community trade mark[1] is entitled to prevent third parties not having his consent from using[2] in the course of trade[3] any sign which is identical with or similar to the Community trade mark in relation to goods or services which are not similar[4] to those for which the Community trade mark is registered, where the latter has a reputation in the Community[5] and where the use of that sign without due cause[6] takes unfair advantage of, or is detrimental to, the distinctive character or repute of the Community trade mark[7].

1 For the meaning of 'Community trade mark' see para 206 ante.
2 As to the meaning of 'use' see para 229 post.
3 As to the meaning of 'trade' see para 226 note 3 ante.
4 This ground of objection can be invoked when the goods or services are identical or similar as well as when they are dissimilar: see para 88 note 7 ante.
5 As to the meaning of 'reputation' see para 75 note 7 ante.
6 As to the concept of use without due cause see para 75 note 9 ante.
7 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 9(1)(c). Cf the corresponding relative ground for refusal of registration: see art 8(5); and para 221 ante. As to the concept of unfair advantage or detriment to the distinctive character or repute of the Community trade mark see para 76 ante.

As to the limits on the effect of a Community trade mark see paras 232–233 post; and as to the exhaustion of rights conferred by a Community trade mark see para 234 post.

229. Meaning of 'use' for the purposes of infringement. The following may be prohibited as infringing[1] a Community trade mark[2]:

(1) affixing the sign[3] to the goods or the packaging thereof[4];
(2) offering the goods, putting them on the market or stocking them for those purposes under that sign, or offering or supplying services thereunder[5];
(3) importing or exporting goods[6] under that sign[7]; or
(4) using the sign on business[8] papers[9] and in advertising[10].

1 Ie prohibited under EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 9(1): see paras 224–228 ante. As to whether use must be trade mark use see para 89 note 2 ante.
2 For the meaning of 'Community trade mark' see para 206 ante. As to the limits on the effect of a Community trade mark see paras 232–233 post; and as to the exhaustion of rights conferred by a Community trade mark see para 234 post.
3 Ie the sign which the proprietor is entitled to prohibit others from using pursuant to EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 9(1). As to the manner in which the sign is used see para 89 note 2 ante.
4 Ibid art 9(2)(a). As to where the sign is applied to the goods or packaging outside the jurisdiction see para 89 note 3 ante.
5 Ibid art 9(2)(b). As to offering and putting goods on the market see para 89 note 4 ante.
6 As to importing or exporting goods see para 89 note 5 ante.
7 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 9(2)(c).
8 'Business' is not defined for the purposes of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1). Cf the definition provided by the Trade Marks Act 1994: see para 32 note 3 ante.
9 See para 89 note 9 ante.
10 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 9(2)(d).

230. Reproduction of Community trade marks in dictionaries. If the reproduction of a Community trade mark[1] in a dictionary, encyclopaedia or similar reference work gives the impression that it constitutes the generic name of the goods or services for which the trade mark is registered, the publisher of the work must, at the request of the proprietor of the Community trade mark, ensure that the reproduction of

the trade mark at the latest in the next edition of the publication is accompanied by an indication that it is a registered trade mark[2].

1 For the meaning of 'Community trade mark' see para 206 ante.
2 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 10. The conventional method of indicating that a mark is a registered trade mark is by the use of the ® sign in relation to it.

The proprietor of a Community trade mark who does not enforce his rights under this provision risks his trade mark becoming the common name in the trade for the product or service in respect of which it is registered. If this happens, the mark may become liable to revocation pursuant to art 50(1)(b) on the grounds that this has occurred in consequence of his inactivity. See further para 239 post.

231. Community trade mark registered in the name of an agent or representative. Where a Community trade mark[1] is registered in the name of the agent or representative of a person who is the proprietor[2] of that trade mark, without the proprietor's authorisation, the proprietor is entitled:

(1) to oppose[3] the use[4] of his mark by his agent or representative if he has not authorised such use; and
(2) to demand the assignment in his favour of the registration of the Community trade mark,

unless the agent or representative justifies his action[5].

1 For the meaning of 'Community trade mark' see para 206 ante.
2 It is presumed that 'proprietor' in this context has the same meaning as in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 8(3) (see paras 222 note 2, 223 ante), since that provision and these provisions are both derived from the Paris Convention art 6 (septies). As to the Paris Convention see para 6 ante.
3 It is presumed that 'oppose' in this context means that the proprietor of the trade mark is entitled to restrain the use of the trade mark by injunction. Cf the corresponding provisions under the Trade Marks Act 1994 s 60(4): see para 154 ante.
4 As to the meaning of 'use' see para 229 ante.
5 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) arts 11, 18. Head (2) in the text also applies to applications for Community trade marks: art 24. See also note 2 supra.

232. Limitation of the effects of a Community trade mark. A Community trade mark[1] does not entitle the proprietor to prohibit a third party from using[2] in the course of trade[3]:

(1) his own name[4] or address[5];
(2) indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, time of production of the goods or of rendering of the service, or other characteristics of the goods or service[6]; or
(3) the trade mark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts[7],

provided he uses them in accordance with honest practices in industrial or commercial matters[8].

1 For the meaning of 'Community trade mark' see para 206 ante.
2 As to the meaning of 'use' see para 229 ante.
3 As to the meaning of 'trade' see para 226 note 3 ante.
4 As to what constitutes a person's 'own name' and whether this defence is available to corporations see para 93 notes 3, 4 ante.
5 See para 93 note 5 ante.
6 See para 94 note 3 ante.
7 See para 95 ante.
8 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 12. As to the meaning of 'honest practices' see para 96 ante.

233. Acquiescence. Where the proprietor of a Community trade mark[1] has acquiesced[2], for a period of five successive years, in the use[3] of a later Community trade mark in the Community while being aware of such use, he[4] is no longer entitled on the basis of the earlier trade mark either:

(1) to apply for a declaration that the registration of the later trade mark is invalid; or

(2) to oppose[5] the use of the later trade mark in relation to the goods or services in relation to which it has been so used,

unless the registration of the later trade mark was applied for in bad faith[6].

Where the proprietor of an earlier national trade mark[7] or other earlier sign[8] has acquiesced, for a continuous period of five successive years,[9] in the use of a later Community trade mark in the member state in which the earlier trade mark or other earlier sign is protected while being aware of such use, he[10] is no longer entitled on the basis of the earlier trade mark either:

(a) to apply for a declaration that the registration of the later trade mark is invalid; or

(b) to oppose the use of the later trade mark in relation to the goods or services in relation to which it has been so used,

unless the registration of the later trade mark was applied for in bad faith[11].

In any such case[12], the proprietor of a later Community trade mark is not entitled to oppose the use of the earlier right, even though that right may no longer be invoked against the later Community trade mark[13].

1 For the meaning of 'Community trade mark' see para 206 ante.
2 It is not clear where, in the scale commencing with merely standing by with knowledge to some form of positive inducement, the word 'acquiesce' comes. Given the context of the use of the word in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, it is unlikely that it would be interpreted in the technical sense given to it by English case law.
3 As to the meaning of 'use' see para 229 ante.
4 It is not clear whether a third party would be prevented from applying for a declaration that the registration of the later trade mark is invalid by reason of this provision. It would be odd if the proprietor of the earlier trade mark or sign were so prevented but third parties were not, yet there is no explicit provision for this. Cf the Trade Marks Act 1994 s 48: see para 99 ante.
5 As to the meaning of 'oppose' see para 231 note 3 ante.
6 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 53(1). As to the meaning of 'bad faith' see para 69 note 3 ante.
7 Ie an 'earlier trade mark' within the meaning of ibid art 8(2) (as amended), other than a Community trade mark: see para 218 ante.
8 Ie an earlier sign within the meaning of ibid art 8(4): see para 222 ante.
9 The five year period runs from the date on which the Community trade mark is registered, and thus does not expire until the end of the fifth anniversary day: Decision 1067C/000852913/1 *Michel Bugatti SA v Bugatti International SA* (11 May 2006, unreported), OHIM Cancellation Division.
10 See note 4 supra.
11 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 53(2).
12 Ie the cases referred to in ibid art 53(1), (2): see the text and notes 1–11 supra.
13 Ibid art 53(3).

234. Exhaustion of rights. A Community trade mark[1] does not entitle the proprietor to prohibit its use[2] in relation to goods which have been put on the market in the Community under that trade mark by the proprietor or with his consent[3]; but this provision does not apply where there exist legitimate reasons[4] for the proprietor to oppose further commercialisation of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market[5].

Quite apart from this, the proprietor's right to enforce a Community trade mark may be restricted in some circumstances by the general rules under the EC Treaty[6] relating to free movement of goods and competition law[7].

1 For the meaning of 'Community trade mark' see para 206 ante.
2 As to the meaning 'use' see para 229 ante.
3 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 13(1). The wording and, presumably, effect of this provision are identical to the Trade Marks Act 1994 s 12(1): see para 103 ante. As to what may amount to the proprietor's consent see para 107 ante.
4 As to what may amount to 'legitimate reasons' see para 104 ante.
5 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 13(2). The wording and, presumably, effect of this provision are identical to the Trade Marks Act 1994 s 12(2): see para 103 ante.
6 Ie the Treaty Establishing the European Community (Rome, 25 March 1957; TS 1 (1973); Cmnd 5179).
7 See paras 105–106 ante. The specific exhaustion defences under EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) and EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, do not necessarily cover all the ground covered by the case law of the ECJ interpreting the EC Treaty: see para 105 note 5 ante.

(5) SURRENDER, REVOCATION, INVALIDITY, ALTERATION AND DIVISION

(i) Introduction

235. Modes of extinction or modification of Community trade marks. The Community Trade Mark Regulation[1] provides a number of ways in which the rights conferred by a Community trade mark[2] may be cancelled or varied[3]. It uses the following terminology:

(1) 'surrender' for voluntary surrender by the proprietor[4];
(2) 'revocation' for removal of a registration on grounds which have arisen since registration[5];
(3) 'declaration of invalidity' for cases where the mark ought not to have been registered originally[6];
(4) 'alteration' for minor corrections[7]; and
(5) 'division' for splitting a registration into two or more registrations[8].

1 Ie EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark.
2 For the meaning of 'Community trade mark' see para 206 ante.
3 Ie apart from lapse for failure to pay renewal fees: see para 283 post. Cf the position under the Trade Marks Act 1994: see para 109 ante.
4 See para 236 post.
5 See para 237 et seq post.
6 See para 243 et seq post.
7 See para 248 post.
8 See para 249 post.

(ii) Surrender

236. In general. A Community trade mark[1] may be surrendered in respect of some or all of the goods or services for which it is registered[2]. Surrender can be entered only with the agreement of the proprietor of a right entered in the register[3].

The surrender must be declared to the Office for Harmonisation in the Internal Market in writing by the proprietor of the trade mark and does not have effect until it has been entered into the register[4].

1 For the meaning of 'Community trade mark' see para 206 ante.
2 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 49(1). As to the procedure for surrender see EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark, art 1 r 36 (amended by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)).
3 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 49(3). If a licence has been registered, surrender can only be entered in the register if the proprietor of the trade mark proves that he has

informed the licensee of his intention to surrender; this entry must be made on expiry of three months after the date on which the proprietor satisfies the Office for Harmonisation in the Internal Market that he has informed the licensee of his intention to surrender the Community trade mark: art 49(3); EC Commission Regulation 2868/95 (OJ L303, 15.12.95) art 1 r 36(2). As to the Office see para 180 et seq ante.

4 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 49(2). If the proprietor applies to surrender a Community trade mark which is subject to an application for revocation or a declaration of invalidity the proceedings must continue: Decision 69C/000670042/1 *Lancôme Parfums et Beauté & Cie's Application* [2001] ETMR 89, OHIM Cancellation Division. Cf the position under the Trade Marks Act 1994 s 45: see para 113 note 5 ante.

(iii) Revocation

237. Use of Community trade marks. If, within the period of five years following registration[1] the proprietor has not put the Community trade mark[2] to genuine[3] use[4] in the Community[5], in connection with the goods or services for which it is registered, or if such use has been suspended for an uninterrupted period of five years, the Community trade mark is subject to the sanctions provided for[6], unless there are proper reasons[7] for non-use[8].

1 As to registration of a Community trade mark see para 283 note 5 post.
2 For the meaning of 'Community trade mark' see para 206 ante.
3 As to genuine use see para 114 note 6 ante.
4 The following constitute use for these purposes: (1) use of the Community trade mark in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered; and (2) affixing the Community trade mark to goods or to the packaging of goods in the Community solely for export purposes: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 15(2). See also para 114 note 7 ante. Use of the Community trade mark with the consent of the proprietor is deemed to constitute use by the proprietor: art 15(3). For the requirement of use as it applies to Community collective marks see para 300 note 1 post; and for the meaning of references to 'use' generally see para 229 ante.
5 It is often said that the requirement of genuine use in the Community is satisfied by use in one member state, but it is not clear that this is correct: see EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 108(2)(a); and para 198 text and note 3 ante. It may be questioned whether a Community-wide monopoly should be maintained by use solely in, for example, Malta.
6 Ie by EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1): see art 50; and para 238 post.
7 As to the meaning of 'proper reasons' see para 114 note 10 ante.
8 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 15(1).

238. Non-use. The rights of the proprietor of the Community trade mark[1] must[2] be declared to be revoked on application to the Office for Harmonisation in the Internal Market[3] or on the basis of a counterclaim in infringement proceedings[4] if, within a continuous period of five years, the trade mark has not been put to genuine[5] use[6] in the Community[7] in connection with the goods or services for which it is registered, and there are no proper reasons[8] for non-use[9].

No person may claim that the proprietor's rights in a Community trade mark should be revoked where, during the interval between the expiry of the five-year period and the filing of the application or counterclaim, genuine use of the trade mark has been started or resumed. However, the commencement or resumption of use within a period of three months preceding the filing of the application or counterclaim which began at the earliest on expiry of the continuous period of five years of non-use is to be disregarded where preparations for the commencement or resumption occurred only after the proprietor became aware that the application or counterclaim may be filed[10].

1 For the meaning of 'Community trade mark' see para 206 ante.
2 Cf the corresponding provisions of the Trade Marks Act 1994 s 46: see paras 111, 114 ante. In that Act, the permissive 'may' is used, but it has been held that there is no discretion not to revoke the mark. In

EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 50, the directive 'shall' is used, so it is clear there is no discretion in this provision.

3 As to the Office see para 180 et seq ante; and as to bringing an application for revocation in the Office see para 289 et seq post.

4 As to the raising of a counterclaim for revocation in infringement proceedings see para 261 et seq post.

5 As to genuine use see para 114 note 6 ante.

6 As to the meaning of 'use' see para 237 note 4 ante. In revocation proceedings for non-use the burden lies on the proprietor of the Community trade mark to prove genuine use within the relevant period or proper reasons for non-use: Decision 686C/000405555/1 *BARRICADE Trade Mark* (17 May 2004, unreported), OHIM Cancellation Division.

7 As to the requirement of genuine use in the Community see para 237 note 5 ante.

8 As to the meaning of 'proper reasons' see para 114 note 10 ante.

9 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 50(1)(a).

10 Ibid art 50(1)(a).

239. Mark becoming common name. The rights of the proprietor of the Community trade mark[1] must[2] be declared to be revoked on application to the Office for Harmonisation in the Internal Market[3] or on the basis of a counterclaim in infringement proceedings[4] if, in consequence of acts or inactivity[5] of the proprietor, the trade mark has become the common name in the trade[6] for a product or service in respect of which it is registered[7].

1 For the meaning of 'Community trade mark' see para 206 ante.

2 See para 238 note 2 ante.

3 As to the Office see para 180 et seq ante; and as to bringing an application for revocation in the Office see para 289 et seq post.

4 As to the raising of a counterclaim for revocation in infringement proceedings see para 261 et seq post.

5 As to the acts or inactivity of the proprietor see para 115 notes 3–6 ante. One mode of inactivity would be a failure to take action in relation to the reproduction of a Community trade mark in a dictionary etc: see para 230 ante.

6 As to the meaning of 'common name in the trade' see para 115 ante.

7 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 50(1)(b).

240. Liability to mislead in consequence of use. The rights of the proprietor of the Community trade mark[1] must[2] be declared to be revoked on application to the Office for Harmonisation in the Internal Market[3] or on the basis of a counterclaim in infringement proceedings[4] if, in consequence of the use[5] made of it by the proprietor of the trade mark or with his consent in relation to the goods or services for which it is registered, it is liable to mislead the public, particularly as to the nature, quality or geographical origin of those goods or services[6].

1 For the meaning of 'Community trade mark' see para 206 ante.

2 See para 238 note 2 ante.

3 As to the Office see para 180 et seq ante; and as to bringing an application for revocation in the Office see para 289 et seq post.

4 As to the raising of a counterclaim for revocation in infringement proceedings see para 261 et seq post.

5 As to the requirement for liability that the mark mislead in consequence of the use made of it see para 116 note 3 ante. As to the meaning of 'use' see para 229 ante.

6 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 50(1)(c). This ground relates to events arising after the registration date of the mark. If the mark was misleading as to its date of registration, it will be liable to be declared invalid pursuant to art 51(1) (as amended) (see para 243 post), which includes any of the provisions of art 7 (absolute grounds for refusal: see para 209 et seq ante), including, therefore, art 7(1)(g) (mark of such a nature as to deceive the public: see para 214 ante). As to the circumstances in which this ground may be invoked see para 116 note 5 ante.

241. Partial revocation. Where grounds for revocation[1] exist in respect of only some of the goods or services for which the Community trade mark[2] is registered[3], the rights of the proprietor must be declared to be revoked in respect of those goods or services only[4].

1 As to the grounds for revocation see paras 237–240 ante; and as to the additional grounds for revocation of a Community collective mark see para 300 post.
2 For the meaning of 'Community trade mark' see para 206 ante.
3 As to the meaning of 'registered' see para 283 note 5 post.
4 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 50(2). As to narrowing the specification of goods or services in such circumstances see para 117 note 4 ante.

242. Date from which revocation takes effect. A Community trade mark[1] is deemed not to have had, as from the date of the application[2] for revocation[3] or of the counterclaim[4], the specified effects[5], to the extent that the rights of the proprietor have been revoked[6].

An earlier date, on which one of the grounds for revocation occurred, may be fixed in the decision[7] at the request of one of the parties[8].

Subject to certain national provisions[9], the retroactive effect of revocation of the trade mark does not affect the following[10]:

(1) any decision on infringement which has acquired the authority of a final decision and has been enforced prior to the revocation decision[11]; or
(2) any contract concluded prior to the revocation decision, in so far as it has been performed before that decision[12].

1 For the meaning of 'Community trade mark' see para 206 ante.
2 As to applications for revocation in the Office for Harmonisation in the Internal Market see para 289 et seq post. As to the Office see para 180 et seq ante.
3 As to the grounds for revocation see paras 237–240 ante. As to the additional grounds for revocation of a Community collective mark see para 300 post.
4 As to the raising of a counterclaim for revocation in infringement proceedings see para 261 et seq post.
5 Ie the effects specified in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark.
6 Ibid art 54(1).
7 Ie the decision declaring the rights of the proprietor to be revoked.
8 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 54(1).
9 Ie national provisions relating either to claims for compensation for damage caused by negligence or lack of good faith on the part of the proprietor of the trade mark, or unjust enrichment.
10 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 54(3).
11 Ibid art 54(3)(a).
12 Ibid art 54(3)(b). However, repayment, to the extent justified by the circumstances, of sums paid under the relevant contract may be claimed on grounds of equity: art 54(3)(b).

(iv) Declaration of Invalidity

243. Registration granted in breach of absolute grounds for refusal. A Community trade mark[1] must be declared to be invalid on application to the Office for Harmonisation in the Internal Market[2] or on the basis of a counterclaim in infringement proceedings[3]:

(1) where the Community trade mark was registered in breach of the absolute grounds[4] for refusal of registration[5];
(2) where the applicant was acting in bad faith[6] when he filed the application for the trade mark[7].

Where the trade mark was registered even though it is devoid of any distinctive character[8] or consists exclusively of signs or indications which may serve, in trade[9], to designate the kind etc of goods or services[10] or consists exclusively of signs or indications which have become customary in the current language or in the bona fide and established practices of the trade[11], it may nevertheless not be declared invalid if, in consequence of the use[12] which has been made of it, it has after registration acquired a distinctive character in relation to the goods or services for which it is registered[13].

1 For the meaning of 'Community trade mark' see para 206 ante.

2 As to the Office see para 180 et seq ante; and as to bringing an application for a declaration of invalidity in the Office see para 289 et seq post.
3 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 51(1) on the Community trade mark. As to the raising of a counterclaim for revocation in infringement proceedings see para 261 et seq post.
4 Ie on the ground that the trade mark was registered contrary to the provisions of ibid art 7: see para 209 et seq ante.
5 Ibid art 51(1)(a) (substituted by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)). The Cancellation Division is required to assess such an application on its merits and is not fettered by any decision during the application phase: Case R 766/2000–2 *Société France Cartes v Naipes Heraclio Fournier SA* [2002] ETMR 92, OHIM Board of Appeal.
6 Where the applicant had no intention to use the mark applied for, this does not amount to bad faith: Decision 34C/000053447/1 *Trillium Digital Systems Inc's Trade Mark* [2000] ETMR 1054, OHIM Cancellation Division; Decision 468C/00512632/1 *POTTERY BARN Trade Mark* [2005] ETMR 74, OHIM Cancellation Division; Decision 813C/001628395/1 *NAKED Trade Mark* (14 December 2004, unreported), OHIM Cancellation Division. As to the meaning of 'bad faith' under the equivalent provision in the Trade Marks Act 1994 see para 69 note 3 ante.
7 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 51(1)(b). As to the additional ground of invalidity of a Community collective mark see para 301 post.
8 Ie in breach of ibid art 7(1)(b): see para 211 ante.
9 As to the meaning of 'trade' see para 226 note 3 ante.
10 Ie in breach of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 7(1)(c): see para 211 ante.
11 Ie in breach of ibid art 7(1)(d): see para 211 ante.
12 As to the meaning of 'use' see para 229 ante.
13 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 51(2). As to distinctive character acquired as a result of use see para 61 ante.

244. Registration granted in breach of relative grounds for refusal. A Community trade mark[1] must be declared invalid on application to the Office for Harmonisation in the Internal Market[2] or on the basis of a counterclaim[3] in infringement proceedings[4]:

(1) where there is an earlier trade mark[5] in relation to which the specified conditions for refusal[6] are fulfilled[7];
(2) where the trade mark was registered in the name of the agent or representative of the proprietor thereof and the specified conditions[8] are fulfilled[9]; or
(3) where there is an earlier right[10] in relation to which the specified condition for refusal[11] is fulfilled[12].

However, a Community trade mark may not be declared invalid where the proprietor of the earlier trade mark, trade mark or earlier right[13] (as the case may be) consents expressly to the registration of the Community trade mark before submission of the application for a declaration of invalidity or the counterclaim[14].

1 For the meaning of 'Community trade mark' see para 206 ante.
2 As to the Office see para 180 et seq ante; and as to bringing an application for a declaration of invalidity in the Office see para 289 et seq post.
3 As to the raising of a counterclaim in infringement proceedings see para 261 et seq post.
4 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 52(1).
5 Ie an earlier trade mark as referred to in ibid art 8(2) (as amended): see para 218 ante.
6 Ie the conditions set out in ibid art 8(1) or (5): see paras 219–221 ante.
7 Ibid art 52(1)(a).
8 Ie where there is a trade mark as referred to in ibid art 8(3) and the specified conditions are those set out in that provision: see para 223 ante.
9 Ibid art 52(1)(b).
10 Ie an earlier right as referred to in ibid art 8(4) (as amended): see para 222 ante.
11 Ie the condition set out in ibid art 8(4) (as amended): see para 222 ante.
12 Ibid art 52(1)(c). Where the proprietor of such a right has previously applied for a declaration that the Community trade mark is invalid or made a counterclaim in infringement proceedings, he may not submit a new application for a declaration of invalidity or lodge a counterclaim on the basis of another of the rights referred to in art 52(1) or art 52(2) (as substituted) (see para 245 post) which he could have

invoked in support of his first application or counterclaim: art 52(4). See Decision 793C/00192500/2 *Luis Cabellero SA v Scottish & Newcastle plc* (17 May 2004, unreported), OHIM Cancellation Division.

13 Ie the right referred to in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 52(1): see the text and notes 1–12 supra.

14 Ibid art 52(3).

245. Use of Community trade mark would infringe another earlier right. A Community trade mark[1] must be declared invalid on application to the Office for Harmonisation in the Internal Market[2] or on the basis of a counterclaim in infringement proceedings[3] where the use of such trade mark may be prohibited pursuant to another earlier right[4], and in particular:

(1) a right to a name[5];
(2) a right of personal portrayal[6];
(3) a copyright[7]; or
(4) an industrial property right[8],

under the Community legislation or national law governing the protection.

However, a Community trade mark may not be declared invalid where the proprietor of the earlier right[9] consents expressly to the registration of the Community trade mark before submission of the application for a declaration of invalidity or the counterclaim[10].

1 For the meaning of 'Community trade mark' see para 206 ante.

2 As to the Office see para 180 et seq ante; and as to bringing an application for a declaration of invalidity in the Office see para 289 et seq post.

3 As to the raising of a counterclaim in infringement proceedings see para 261 et seq post.

4 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 52(2) (substituted by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)). Where the proprietor of such a right has previously applied for a declaration that the Community trade mark is invalid or made a counterclaim in infringement proceedings, he may not submit a new application for a declaration of invalidity or lodge a counterclaim on the basis of another of the rights referred to in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 52(1) (see para 244 ante) or art 52(2) (as substituted) which he could have invoked in support of his first application or counterclaim: art 52(4).

5 Ibid art 52(2)(a) (as substituted: see note 4 supra).

6 Ibid art 52(2)(b) (as substituted: see note 4 supra).

7 Ibid art 52(2)(c) (as substituted: see note 4 supra). As to copyright see COPYRIGHT, DESIGN RIGHT AND RELATED RIGHTS vol 9(2) (2006 Reissue) para 3 et seq.

8 Ibid art 52(2)(d) (as substituted: see note 4 supra).

9 Ie the earlier right referred to in ibid art 52(2) (as substituted): see the text to notes 1–8 supra.

10 Ibid art 52(3).

246. Partial declaration of invalidity. Where the grounds of invalidity[1] exist in respect of only some of the goods or services for which the Community trade mark[2] is registered, the trade mark must be declared invalid as regards those goods or services only[3].

1 As to the grounds of invalidity see paras 243–245 ante; and as to the additional ground of invalidity of a Community collective mark see para 301 post.

2 For the meaning of 'Community trade mark' see para 206 ante.

3 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, arts 51(3), 52(5). As to the effect of a declaration of invalidity see para 247 post. As to narrowing the specification of goods or services in such circumstances see para 120 note 4 ante.

247. Effect of declaration of invalidity. A Community trade mark[1] is deemed not to have had, as from the outset, the specified effects[2], to the extent that the trade mark is declared invalid[3].

Subject to certain national provisions[4], the retroactive effect of invalidity of the trade mark does not affect the following[5]:

(1) any decision on infringement which has acquired the authority of a final decision and has been enforced prior to the invalidity decision[6]; or

(2) any contract concluded prior to the invalidity decision, in so far as it has been performed before that decision (although repayment, to the extent justified by the circumstances, of sums paid under the relevant contract may be claimed on grounds of equity)[7].

1 For the meaning of 'Community trade mark' see para 206 ante.
2 Ie the effects specified in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark: see para 224 et seq ante.
3 Ibid art 54(2). As to the grounds of invalidity see paras 243–245 ante; and as to the additional ground of invalidity of a Community collective mark see para 301 post.
4 Ie national provisions relating either to claims for compensation for damage caused by negligence or lack of good faith on the part of the proprietor of the trade mark, or unjust enrichment.
5 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 54(3).
6 Ibid art 54(3)(a).
7 Ibid art 54(3)(b).

(v) Alteration

248. In general. A Community trade mark[1] may not be altered in the register[2] during the period of registration or on renewal thereof[3]. Nevertheless, where the Community trade mark includes the name and address of the proprietor, an alteration not substantially affecting the identity of the trade mark as originally registered may be registered at the request of the proprietor[4].

The publication[5] of the registration of the alteration must contain a representation of the Community trade mark as altered; and third parties whose rights may be affected by the alteration may challenge its registration within a period of three months following publication[6].

1 For the meaning of 'Community trade mark' see para 206 ante.
2 As to the register of Community trade marks see para 188 ante.
3 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 48(1).
4 Ibid art 48(2). As to the procedure for alteration see EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark, art 1 rr 25–27 (rr 25, 26 amended by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)).
As to the principles applied by the United Kingdom courts under the similar provision in the Trade Marks Act 1994 see para 122 note 5 ante.
5 As to publication see para 190 ante.
6 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 48(3).

(vi) Division

249. In general. The proprietor of a Community trade mark[1] may divide the registration by declaring that some of the goods or services included in the original registration will be the subject of one or more divisional registrations[2]. The goods or services in the divisional registration must not overlap with the goods or services which remain in the original registration or those which are included in other divisional registrations[3].

Division is not permissible[4]:

(1) if, where an application[5] for revocation of rights or for a declaration of invalidity has been entered against the original registration, a divisional declaration has the effect of introducing a division amongst the goods or services against which the application for revocation of rights or a declaration of invalidity is directed, until the decision of the Cancellation Division[6] has become final or the proceedings are finally terminated otherwise[7];

(2) if, where a counterclaim[8] for revocation or for a declaration of invalidity has been entered in a case before a Community trade mark court[9], a divisional

declaration has the effect of introducing a division amongst the goods or services against which the counterclaim is directed, until the mention of the Community trade mark court's judgment is recorded in the register[10].

1 For the meaning of 'Community trade mark' see para 206 ante.

2 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 48a(1) (art 48a added by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)). The declaration must comply with the provisions set out in EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 48a(3) (as so added). The declaration is subject to a fee and must be deemed not to have been made until the fee is paid: art 48a(4) (as so added). As to the procedure for the division of a registration see EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 25a (added by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)). The division will take effect on the date on which it is entered on the register: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 48a(5) (as so added). As to the register of Community trade marks see para 188 ante.

All requests and applications submitted and all fees paid with regard to the original registration prior to the date on which the Office for Harmonisation in the Internal Market receives the declaration of division will be deemed to have been submitted or paid with regard to the divisional registration or registrations. The fees for the original registration which have been paid prior to the date on which the declaration of division is received will not be refunded: art 48a(6) (as so added). The divisional registration will preserve the filing date and any priority date and seniority date of the original registration: art 48a(7) (as so added). As to the Office see para 180 et seq ante.

Division of an application to register a Community trade mark is also possible: see art 44a(1) (as added); and para 281 post. Under the Trade Marks Act 1994 s 41(1) only division of an application, and not division of a registration, is permitted: see para 367 post.

3 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 48a(1) (as added: see note 2 supra).

4 Ibid art 48a(2) (as added: see note 2 supra).

5 As to bringing an application for revocation or a declaration of invalidity in the Office see para 289 et seq post.

6 As to the Cancellation Division see para 182 ante.

7 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 48a(2)(a) (as added: see note 2 supra).

8 As to the raising of a counterclaim in infringement proceedings see para 261 et seq post.

9 As to Community trade mark courts see para 250 post.

10 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 48a(2)(b) (as added: see note 2 supra). The judgment is recorded pursuant to art 96(6): see para 264 post.

(6) NATIONAL ACTIONS RELATING TO COMMUNITY TRADE MARKS

(i) Introduction

250. In general. An action for infringement of a Community trade mark[1] must be brought in a court of one of the member states[2]. For that purpose, the member states must designate as limited a number as possible of national courts and tribunals[3] ('Community trade mark courts') which must perform the functions assigned to them[4]. For that purpose, in England and Wales the High Court and a number of county courts are designated as Community trade mark courts[5].

Given the unitary character of Community trade marks[6], it will often be the case that the courts of more than one member state could potentially exercise jurisdiction over an infringement action. In general[7], the Brussels Convention[8] applies to proceedings relating to Community trade marks and applications[9] for Community trade marks, as well as to proceedings relating to simultaneous and successive actions on the basis of Community trade marks and national trade marks[10].

1 For the meaning of 'Community trade mark' see para 206 ante.

2 See EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 92; and para 251 post.

3 Ie courts and tribunals of first and second instance: see generally COURTS.

4 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 91(1). Each member state was required to communicate to the EC Commission by 22 September 1995 a list of Community trade mark courts indicating their names and territorial jurisdiction: arts 91(2), 160(1). Any change made after communication of that list must be notified without delay by the member state concerned to the Commission: art 91(3). This information must be notified by the Commission to the member states and published in the Official Journal of the European Communities: art 91(4).

As long as a member state has not communicated the list stipulated by art 91(2), jurisdiction for any proceedings resulting from an action or application in respect of which the Community trade mark courts have exclusive jurisdiction (i e which is covered by art 92: see para 251 post) and for which the courts of that state have jurisdiction (i e pursuant to art 93: see para 252 post) lies with the court of that state in question which would have jurisdiction ratione loci and ratione materiale in the case of proceedings relating to a national trade mark registered in that state: art 91(5).

5 Community Trade Mark Regulations 2006, SI 2006/1027, reg 12(1), (2). The county courts so designated are the Patents County Court and the county courts at Birmingham, Bristol, Cardiff, Leeds, Liverpool, Manchester and Newcastle upon Tyne: see reg 12(1), (2). For the purpose of hearing appeals from judgments of the designated first instance courts, the Court of Appeal is also designated as a Community trade mark court: reg 12(3).

6 As to the unitary character of Community trade marks see para 206 ante.

7 Ie unless otherwise specified in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1): see note 8 infra.

8 Ie the Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters (Brussels, 27 September 1968: Cmnd 7395), as amended by the Conventions on the Accession to that Convention of the states acceding to the European Communities. The Brussels Convention sets out (inter alia) the rules under which the courts of signatory states allocate jurisdiction between themselves. It has largely been superseded by EC Council Regulation 44/2001 (OJ L12, 16.1.01, p 1) on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (the 'Brussels I' Regulation), which is in similar but not identical terms. See further CONFLICT OF LAWS vol 8(3) (Reissue) para 65 et seq.

In the case of proceedings in respect of the actions or claims in respect of which the Community trade mark courts have exclusive jurisdiction (i e which are covered by EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 92: see para 251 post): (1) the Brussels Convention arts 2, 4, 5(1), (3), (4), (5) do not apply; (2) the Brussels Convention arts 17, 18 apply subject to the limitations in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 93(4) (see para 252 post); and (3) the provisions of the Brussels Convention Title II which are applicable to persons domiciled in a member state are also applicable to persons who do not have a domicile in any member state but have an establishment therein: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 90(2).

The provisions of the Brussels Convention which are rendered applicable by EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) have effect in respect of any member state solely in the text of the Convention which is in force in respect of that state at any given time: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 104.

As to the relationship between EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) and the Brussels Convention see *Prudential Assurance Co Ltd v Prudential Insurance Co of America* [2003] EWCA Civ 327, [2003] 1 WLR 2295, [2003] FSR 25.

9 As to an application for Community trade marks being an object of property see para 271 note 1 post.

10 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 90(1).

(ii) Jurisdiction of National Courts

251. Exclusive jurisdiction of Community trade mark courts. The Community trade mark courts[1] have exclusive jurisdiction:

(1) for all infringement actions[2] and, if they are permitted under national law, actions in respect of threatened infringement[3] relating to Community trade marks[4];

(2) for actions for declaration of non-infringement, if they are permitted under national law[5];

(3) for all actions brought for reasonable compensation in respect of matters arising after the date of publication of the Community trade mark application, which matters would, after publication of the registration of the trade mark, be prohibited by virtue of that publication[6]; and

(4) for counterclaims for revocation or for a declaration of invalidity of the Community trade mark[7].

1 For the meaning of 'Community trade mark courts' see para 250 ante.
2 As to infringement actions see para 257 et seq post.
3 Actions for threatened infringement are permitted by the law of England and Wales: see para 416 note 1 post.
4 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 92(a). As to actions for groundless threats of infringement proceedings see para 266 post; cf paras 123–125 ante. For the meaning of 'Community trade mark' see para 206 ante.
5 Ibid art 92(b). Actions for a declaration of non-infringement are permitted by the law of England and Wales: see para 457 post.
6 Ibid art 92(c), which refers to actions brought as a result of the acts referred to in art 9(3), second sentence (see para 225 ante).
7 Ibid art 92(d), which refers to counterclaims as pursuant to art 96 (see para 262 et seq post). As to the grounds for revocation see paras 237–240 ante; as to the additional grounds for revocation of a Community collective mark see para 300 post; as to the grounds of invalidity see paras 243–245 ante; and as to the additional ground of invalidity of a Community collective mark see para 301 post.

252. International jurisdiction: exclusive jurisdiction of Community trade mark courts. The rules for determining which member state's Community trade mark courts[1] have jurisdiction over a dispute involving their exclusive jurisdiction[2] are as follows:

(1) the general rule[3] is that proceedings in respect of which the Community trade mark courts have exclusive jurisdiction must be brought in the courts of the member state in which the defendant is domiciled or, if he is not domiciled in any of the member states, in which he has an establishment[4];
(2) if head (1) above does not apply, such proceedings must be brought in the courts of the member state in which the claimant is domiciled or, if he is not domiciled in any of the member states, in which he has an establishment[5];
(3) if neither head (1) nor head (2) above applies, such proceedings must be brought in the Spanish courts[6];
(4) notwithstanding heads (1) to (3) above:
    (a) if the parties agree that a different Community trade mark court will have jurisdiction over the dispute[7], that court will have exclusive jurisdiction[8];
    (b) a Community trade mark court before whom a defendant enters an appearance will have jurisdiction, except where an appearance was entered solely to contest the jurisdiction[9];
(5) such proceedings, with the exception of actions for a declaration of non-infringement of a Community trade mark, may also be brought in the courts of the member state in which the act of infringement has been committed or threatened to be committed[10].

A Community trade mark court whose jurisdiction is based on heads (1) to (4) above has jurisdiction in respect of acts of infringement[11] committed or threatened within the territory of any of the member states[12]. Such a court has jurisdiction to grant provisional and protective measures which, subject to the appropriate procedure[13] are applicable in the territory of any member state; no other court has such jurisdiction[14].

A Community trade mark court whose jurisdiction is based on head (5) above has jurisdiction in respect of acts committed or threatened within the territory of the member state in which that court is situated[15].

1 For the meaning of 'Community trade mark courts' see para 250 ante.
2 Ie the actions and claims referred to in para 251 ante.
3 Ie subject to the provisions of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, as well as any provisions of the Brussels Convention and EC Council Regulation 44/2001 (OJ L12, 16.1.01, p 1) on jurisdiction and the recognition and enforcement of judgments in civil and

commercial matters, applicable by virtue of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 90 (see para 250 ante). As to the Brussels Convention see para 250 note 8 ante.

4 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 93(1). As to domicile for the purposes of the Brussels Convention see CONFLICT OF LAWS vol 8(3) (Reissue) para 83 et seq.

5 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 93(2).

6 Ibid art 93(3). Spain is the state where the Office for Harmonisation in the Internal Market has its seat: Statement by the Council and the Commission on the seat of the Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OJ L11, 14.1.94, p 36). As to the Office see para 180 et seq ante.

7 Ie an agreement to which the Brussels Convention art 17 and EC Council Regulation 44/2001 (OJ L12, 16.1.01, p 1) art 23 apply: see CONFLICT OF LAWS vol 8(3) (Reissue) para 77.

8 Ie the Brussels Convention art 17 and EC Council Regulation 44/2001 (OJ L12, 16.1.01, p 1) art 23 (see CONFLICT OF LAWS vol 8(3) (Reissue) para 77) apply in such a case: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 93(4)(a). See also para 250 note 8 ante.

9 Ie the Brussels Convention art 18 and EC Council Regulation 44/2001 (OJ L12, 16.1.01, p 1) art 23 (see CONFLICT OF LAWS vol 8(3) (Reissue) para 78) apply in such a case: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 93(4)(b). See also para 250 note 8 ante.

10 Ibid art 93(5), which also applies to an act to which the second sentence of art 9(3) applies (see para 225 ante).

11 Including acts to which the second sentence of ibid art 9(3) applies (see para 225 ante).

12 Ibid art 94(1). As to infringement actions see para 257 et seq post.

13 Ie any necessary procedure pursuant to the Brussels Convention Title III: see CONFLICT OF LAWS vol 8(3) (Reissue) para 191 et seq.

14 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 99(2). As to provisional and protective measures see para 258 post.

15 Ibid art 94(2).

253. International jurisdiction: other cases. Within the member state whose courts have jurisdiction under the 'Brussels I' Regulation[1] or the Brussels Convention[2] as they apply to relevant proceedings[3], the courts which have jurisdiction for actions other than those in respect of which the Community trade mark courts[4] have exclusive jurisdiction[5] are those which would have jurisdiction ratione loci and ratione materiale in the case of actions relating to a national trade mark registered in that state[6].

Actions relating to a Community trade mark[7], other than those in respect of which the Community trade mark courts have exclusive jurisdiction, for which no court otherwise has jurisdiction[8], may be heard before the Spanish courts[9].

1 As to the 'Brussels I' Regulation see para 250 note 8 ante.

2 As to the Brussels Convention see para 250 note 8 ante.

3 Ie those mentioned in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 90(1). As to the application of the 'Brussels I' Regulation and the Brussels Convention to such proceedings see para 250 ante.

4 For the meaning of 'Community trade mark courts' see para 250 ante.

5 Ie those referred to in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 92: see para 251 ante.

6 Ibid art 102(1).

7 For the meaning of 'Community trade mark' see para 206 ante.

8 Ie under EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 90(1) or art 102(2).

9 Ibid art 102(2); Statement by the Council and the Commission on the seat of the Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OJ L11, 14.1.94, p 36). See para 252 note 6 ante.

254. Simultaneous and successive civil actions. Where actions for infringement[1] involving the same cause of action[2] and between the same parties are brought in the courts of different member states, one seized on the basis of a Community trade mark[3] and the other seized on the basis of a national trade mark, the following provisions[4] apply[5]:

(1) the court other than the court first seized must of its own motion decline jurisdiction in favour of that court, where the trade marks concerned are

identical and valid[6] for identical goods or services; and the court which would be required to decline jurisdiction may stay its proceedings if the jurisdiction of the other court is contested[7];

(2) the court other than the court first seized may stay its proceedings where the trade marks concerned are identical and valid for similar goods or services[8] and where the trade marks concerned are similar and valid for identical or similar goods or services[9].

The court hearing an action for infringement on the basis of a Community trade mark must reject the action if a final judgment on the merits has been given on the same cause of action and between the same parties on the basis of an identical national trade mark valid for identical goods or services[10]. The court hearing an action for infringement on the basis of a national trade mark must reject the action if a final judgment on the merits has been given on the same cause of action and between the same parties on the basis of a Community trade mark valid for identical goods or services[11].

None of the above applies in respect of provisional, including protective, measures[12].

1 As to infringement actions see para 257 et seq post.
2 The same cause of action means the same cause of action and the same subject matter: Case C-144/86 *Gubisch Maschinenfabrik KG v Palumbo* [1987] ECR 4861, ECJ; Case C-406/92 *The Tatry* [1994] ECR I-5439, sub nom *Maciej Rataj, The, Tatry (cargo owners) v Maciej Rataj* [1995] All ER (EC) 229, ECJ; *Prudential Assurance Co Ltd v Prudential Insurance Co of America* [2003] EWCA Civ 327, [2003] 1 WLR 2295, [2003] IP & T 1070.
3 For the meaning of 'Community trade mark' see para 206 ante.
4 Ie the provisions described in the text and notes 6–9 infra.
5 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 105(1).
6 'Valid' should be construed as meaning registered or in force: *Prudential Assurance Co Ltd v Prudential Insurance Co of America* [2002] EWHC 534 (Ch) at [76], [2003] FSR 7 at [76], [2002] IP & T 781 at [76] per Laddie J; affd on other grounds [2003] EWCA Civ 327, [2003] 1 WLR 2295, [2003] IP & T 1070.
7 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 105(1)(a).
8 As to the meaning of 'similar goods or services' see para 73 ante.
9 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 105(1)(b).
10 Ibid art 105(2). This provision and art 105(3) (see the text and note 11 infra) only apply where a final judgment has been given by a court seized on the basis of an identical trade mark valid for identical goods or services; they do not apply where there is no such dual identity: *Prudential Assurance Co Ltd v Prudential Insurance Co of America* [2003] EWCA Civ 327, [2003] 1 WLR 2295, [2003] IP & T 1070. It is not clear whether they apply only where both the earlier proceedings and the later proceedings are proceedings for infringement or whether they apply where the earlier proceedings are concerned with validity: *Prudential Assurance Co Ltd v Prudential Insurance Co of America* supra.
11 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 105(3). See note 10 supra.
12 Ibid art 105(4).

255. Related actions. A Community trade mark court[1] hearing one of the following types of action:

(1) an infringement action[2];

(2) an action in respect of threatened infringement relating to Community trade marks[3];

(3) an action brought for reasonable compensation in respect of matters arising after the date of publication of the Community trade mark application, which matters would, after publication of the registration of the trade mark, be prohibited by virtue of that publication[4]; or

(4) a counterclaim for revocation or for a declaration of invalidity of the Community trade mark[5],

must, unless there are special grounds for continuing the hearing, of its own motion after hearing the parties or at the request of one of the parties and after hearing the parties, stay the proceedings if the validity of the Community trade mark is already in

issue before another Community trade mark court on account of a counterclaim or where an application for revocation or for a declaration of invalidity has already been filed at the Office for Harmonisation in the Internal Market[6].

The Office, when hearing an application for revocation or for a declaration of invalidity must, unless there are special grounds for continuing the hearing, of its own motion after hearing the parties or at the request of one of the parties and after hearing the parties, stay the proceedings if the validity of the Community trade mark is already in issue on account of a counterclaim before another Community trade mark court. However, if one of the parties so requests, the court may, after hearing the other parties to those proceedings, stay the proceedings; the Office must in this instance continue the proceedings pending before it[7].

In any such case, where the Community trade mark court stays proceedings it may order provisional and protective measures for the duration of the stay[8].

1 For the meaning of 'Community trade mark courts' see para 250 ante.
2 As to infringement actions see para 257 et seq post.
3 As to actions for groundless threats of infringement proceedings see para 266 post; cf paras 123–125 ante. For the meaning of 'Community trade mark' see para 206 ante.
4 Ie an action brought as a result of the acts referred to in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 9(3), second sentence (see para 225 ante).
5 Ie an action referred to in ibid art 92 (see para 251 ante), other than an action for a declaration of non-infringement. As to bringing a counterclaim for revocation or for a declaration of invalidity of the Community trade mark see para 261 et seq post; as to the grounds for revocation see paras 237–240 ante; and as to the grounds for a declaration of invalidity see paras 243–245 ante.
6 Ibid art 100(1). As to the Office see para 180 et seq ante; and as to bringing an application for revocation in the Office see para 289 et seq post.
7 Ibid art 100(2).
8 Ibid art 100(3). As to provisional and protective measures see para 258 post.

256. Jurisdiction of appeal courts. An appeal to the Community trade mark courts of second instance[1] lies from judgments of the Community trade mark courts in respect of proceedings in respect of which the Community trade mark courts have exclusive jurisdiction[2]. The conditions under which an appeal may be lodged with a Community trade mark court of second instance must be determined by the national law of the member state in which the court is located[3]; and the national rules concerning further appeal are applicable in respect of judgments of Community trade mark courts of second instance[4].

1 For the meaning of 'Community trade mark court' see para 250 ante. As to the duty of member states to appoint Community trade mark courts of first and second instance see para 250 ante.
2 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 101(1). For the proceedings in respect of which the Community trade mark courts have exclusive jurisdiction see para 251 ante.
3 Ibid art 101(2).
4 Ibid art 101(3).

(iii) Proceedings for Infringement of Community Trade Marks

257. In general. The principle underlying the enforcement of Community trade marks[1], and the other rights relating thereto[2], is that the courts of the member states must apply the provisions of Community law[3]; and any aspect not covered by Community law, in particular procedural provisions, should be governed by that member state's national law[4].

Thus the Community trade mark courts[5] must apply the provisions of Community law[6]; but on all other matters not covered by it, such a court must apply its national law, including its private international law[7]. Unless otherwise provided[8], a Community trade

mark court must apply the rules of procedure governing the same type of action relating to a national trade mark in the member state where it has its seat[9].

1 For the meaning of 'Community trade mark' see para 206 ante.
2 Eg the rights created by EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, arts 11, 18: see para 231 ante.
3 Ie EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1).
4 See ibid art 97 (see the text and notes 5–9 infra) and art 98(2) (see para 258 post).
5 For the meaning of 'Community trade mark courts' see para 250 ante.
6 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 97(1). See note 3 supra.
7 Ibid art 97(2).
8 Ie by EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1).
9 Ibid art 97(3). For the procedure in the High Court see para 416 et seq post. For a situation where a court of one member state must apply the law of another member state see art 98(2); and para 258 note 4 post.

258. Remedies for infringement; provisional and protective measures. Where a Community trade mark court[1] finds that the defendant has infringed or threatened to infringe a Community trade mark[2], it must, unless there are special reasons for not doing so, issue an order prohibiting the defendant from proceeding with the acts which infringed or would infringe the Community trade mark. It must also take such measures in accordance with its national law as are aimed at ensuring that this prohibition is complied with[3].

In all other respects the Community trade mark court must apply the law of the member state in which the acts of infringement or threatened infringement were committed, including the private international law[4]. Thus remedies are a matter for national law[5].

Application may be made to the courts of a member state, including the Community trade mark courts[6], for such provisional, including protective, measures in respect of a Community trade mark or Community trade mark application[7] as may be available under the law of that state in respect of a national trade mark[8], even if a Community trade mark court of another member state has jurisdiction[9] as to the substance of the matter[10].

1 For the meaning of 'Community trade mark court' see para 250 ante.
2 For the meaning of 'Community trade mark' see para 206 ante; and as to the acts which infringe a Community trade mark see para 224 et seq ante.
3 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 98(1).
4 Ibid art 98(2). Thus a Community trade mark court which has jurisdiction in respect of acts committed or threatened in any member state (i e pursuant to art 93(1), (2), (3) or (4): see para 252 ante) must apply the law of the member state or states in which the acts of infringement or threatened infringement were committed, including the private international law, rather than its own domestic law.
5 Save that, as provided for by ibid art 98(2) (see the text to note 4 supra), effective injunctive relief must be available. As to the remedies for infringement of a Community trade mark in the English courts see para 436 et seq post.
6 The use of the words 'including the Community trade mark courts' in this provision suggests that courts of the member states other than Community trade mark courts also have jurisdiction to make such provisional orders.
7 As to a Community trade mark application being an object of property see para 270 et seq post.
8 Where judicial authorities are called upon to apply national rules with a view to ordering provisional measures for the protection of Community trade marks, they are required to do so as far as possible in the light of the wording and purpose of the Agreement on Trade-Related Aspects of Intellectual Property ('TRIPs') (1994) (Cm 2557) art 50: Joined Cases C-300/98 and C-392/98 *Parfums Christian Dior SA v TUK Consultancy BV* [2000] ECR I-11307, ECJ; Case C-89/99 *Schieving-Nijstad VOF v Groenefeld* [2001] ECR I-5851, [2002] IP & T 353, ECJ; and see also Case C-53/96 *Hermès International v FHT Marketing Choice* [1998] ECR I-3603, [1999] RPC 107, ECJ. As to interim measures available under English law see para 450 et seq post. As to TRIPs see para 7 ante.
9 Ie under EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1).
10 Ibid art 99(1).

259. Prohibition of use of Community trade marks. The Community Trade Mark Regulation[1] does not, unless otherwise provided for, affect the following:

(1) the right existing under the laws of the member states to invoke claims for infringement of earlier rights[2] in relation to the use of a later Community trade mark[3]; however, claims for infringement of certain such rights[4] may no longer be invoked if the proprietor of the earlier right can no longer, due to his acquiescence, apply for a declaration that the Community trade mark is invalid[5];

(2) the right to bring proceedings under the civil, administrative or criminal law of a member state or under provisions of Community law for the purpose of prohibiting the use of a Community trade mark to the extent that the use of a national trade mark may be prohibited under the law of that member state or under Community law[6].

1 Ie EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark.
2 Ie earlier rights within the meaning of ibid art 8 (see para 222 ante) or art 52(2) (see para 245 ante).
3 For the meaning of 'Community trade mark' see para 206 ante.
4 Ie those earlier rights within the meaning of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 8(2), (4) (art 8(2) as amended) (see paras 218, 222 ante).
5 Ibid art 106(1). As to the loss of the proprietor's entitlement to make an application in such circumstances see art 53(2); and para 233 ante.
6 Ibid art 106(2).

260. Prior rights applicable to particular localities. The proprietor of an earlier right which only applies to a particular locality[1] may oppose[2] the use[3] of the Community trade mark[4] in the territory where his right is protected in so far as the law of the member state concerned so permits[5]. This ceases to apply if the proprietor of the earlier right has acquiesced[6] in the use of the Community trade mark in the territory where his right is protected for a period of five successive years, being aware of such use, unless the Community trade mark was applied for in bad faith[7]. However, the proprietor of the Community trade mark is not entitled to oppose the use of that earlier right even though that right may no longer be invoked against the Community trade mark[8].

1 An 'earlier right which only applies to a particular locality' means any non-Community right, whether registered or unregistered: *Compass Publishing BV v Compass Logistics Ltd* [2004] EWHC 520 (Ch), [2004] RPC 809, [2004] 17 LS Gaz R 32.
2 As to the meaning of 'oppose' see para 231 note 3 ante.
3 As to the meaning of 'use' see para 229 ante.
4 For the meaning of 'Community trade mark' see para 206 ante.
5 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 107(1).
6 As to the meaning of 'acquiesce' see para 233 note 2 ante.
7 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 107(2). As to the meaning of 'bad faith' see para 69 note 3 ante.
8 Ibid art 107(3). This provision gives the owner of the earlier right broad protection against being sued by the owner of a subsequently acquired Community trade mark: *Compass Publishing BV v Compass Logistics Ltd* [2004] EWHC 520 (Ch), [2004] RPC 809, [2004] 17 LS Gaz R 32.

(iv) Challenging Validity of Community Trade Marks in National Courts

261. Presumption of validity; procedures for challenge to validity. A national court which is dealing with an action relating to a Community trade mark[1], other than one in respect of which the Community trade mark courts[2] have exclusive jurisdiction[3], must treat the trade mark as valid[4]. Further, the Community trade mark courts must treat a Community trade mark as valid unless its validity is put in issue by the defendant with a counterclaim[5] for revocation or declaration of invalidity[6], or by challenging it (to the limited extent possible) in an action for threats of infringement proceedings[7].

Thus a person cannot challenge the validity or apply for revocation of a Community trade mark in a national court unless he is threatened with, or sued for, infringement of that Community trade mark. If he wishes to challenge its validity or apply for revocation of his own motion, he must apply to the Office for Harmonisation in the Internal Market[8] to do so[9].

1 For the meaning of 'Community trade mark' see para 206 ante.
2 For the meaning of 'Community trade mark courts' see para 250 ante.
3 As to exclusive jurisdiction see EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 92; and para 251 ante.
4 Ibid art 103.
5 In certain proceedings (i e actions referred to in ibid art 92(a), (c): see para 251 ante), a plea relating to revocation or invalidity of the Community trade mark submitted otherwise than by way of a counterclaim is admissible in so far as the defendant claims that the rights of the proprietor of the community trade mark could be declared invalid on account of an earlier right of the defendant: art 95(3).
6 Ibid art 95(1).
7 Ie in accordance with ibid art 95(3): see note 5 supra. The validity of a Community trade mark may not be put in issue in an action for a declaration of non-infringement: art 95(2).
8 As to the Office see para 180 et seq ante.
9 As to challenging the validity of a Community trade mark or applying for revocation in the Office see paras 289–290 post; as to the grounds for revocation see paras 237–240 ante; as to the additional grounds for revocation of a Community collective mark see para 300 post; as to the grounds of invalidity see paras 243–245 ante; and as to the additional ground of invalidity of a Community collective mark see para 301 post.

262. Bringing of a counterclaim. A counterclaim[1] for revocation or for a declaration of invalidity may only be made on the grounds for revocation[2] or invalidity[3] prescribed[4].

The Community trade mark court[5] with which a counterclaim for revocation or for a declaration of invalidity of the Community trade mark[6] has been filed must inform the Office for Harmonisation in the Internal Market[7] of the date on which the counterclaim was filed[8]. A Community trade mark court must reject a counterclaim if a decision taken by the Office relating to the same subject matter and cause of action involving the same parties has already become final[9].

If the counterclaim is brought in a legal action to which the proprietor of the trade mark is not already a party, he must be informed thereof[10] and may be joined as a party to the action in accordance with the conditions set out in national law[11].

1 As to the requirement that the application be brought by way of counterclaim see also EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 95(3); and para 261 note 5 ante.
2 As to the grounds for revocation see paras 237–240 ante. As to the additional grounds for revocation of a Community collective mark see para 300 post.
3 As to the grounds of invalidity see paras 243–245 ante; and as to the additional ground of invalidity of a Community collective mark see para 301 post.
4 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 96(1).
5 For the meaning of 'Community trade mark court' see para 250 ante.
6 For the meaning of 'Community trade mark' see para 206 ante.
7 As to the Office see para 180 et seq ante.
8 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 96(4). The Office must record this fact in the register of Community trade marks: art 96(4). The Office may, if it thinks fit, invite the parties to make a friendly settlement: arts 56(4), 96(5) (art 96(5) substituted by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)). As to the register see para 188 ante.
9 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 96(2). As to the meaning of 'the same cause of action' see para 254 note 2 ante.
10 It is not clear who must inform the proprietor that his Community trade mark is under attack. The most appropriate procedure would be to serve the counterclaim on the proprietor.
11 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 96(3).

263. Proof of use of earlier Community and national trade marks on a counterclaim. If the proprietor of the Community trade mark[1] so requests, the proprietor of an earlier Community or national trade mark[2], being a party to the invalidity proceedings, must furnish proof that, during the period of five years preceding the date of the application for a declaration of invalidity, the earlier Community or national trade mark has been put to genuine use in the relevant member state in connection with the goods or services in respect of which it is registered and which he cites as justification for his application, or that there are proper reasons for non-use[3], provided the earlier Community or national trade mark has at that date been registered for not less than five years[4].

If, at the date on which the Community trade mark application was published, the earlier Community trade mark had been registered for not less than five years, the proprietor of the earlier Community trade mark must furnish proof that, in addition, the prescribed conditions[5] were satisfied at that date[6].

In the absence of proof to this effect the application for a declaration of invalidity must be rejected. If the earlier Community trade mark has been used in relation to part only of the goods or services for which it is registered it must, for the purpose of the examination of the application for a declaration of invalidity, be deemed to be registered in respect only of that part of the goods or services[7].

1 For the meaning of 'Community trade mark' see para 206 ante.
2 Ie an earlier Community or national trade mark referred to in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 8(2)(a) (as amended): see para 218 ante.
3 The following words appear at this point in the published version of ibid art 56(2) (which is incorporated into art 56(3)), apparently in error: 'provided the earlier Community trade mark has at that date been registered for non-use'.
4 Ibid arts 56(2), (3), 96(5) (art 96(5) substituted by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)).
5 Ie that during the period of five years preceding the date of publication of the Community trade mark application, the earlier Community trade mark was put to genuine use in the Community in connection with the goods or services in respect of which it is registered and which the proprietor cites as justification for the counterclaim, or that there are proper reasons for non-use: see EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 43(2); and para 282 post.
6 Ibid arts 56(2), (3), 96(5) (art 96(5) as substituted: see note 4 supra).
7 Ibid arts 56(2), (3), 96(5) (art 96(5) as substituted: see note 4 supra).

264. Decision on the merits of a counterclaim. If the examination of the application for revocation of rights[1] or for a declaration of invalidity[2] reveals that the trade mark should not have been registered[3] in respect of some or all of the goods or services for which it is registered, the rights of the proprietor of the Community trade mark[4] must be revoked or the trade mark must be declared invalid in respect of those goods or services; otherwise the application for revocation of rights or for a declaration of invalidity must be rejected[5].

Where a Community trade mark court[6] has given judgment which has become final on a counterclaim for revocation or for invalidity of a Community trade mark, a copy of the judgment must be sent to the Office for Harmonisation in the Internal Market[7].

1 As to the grounds for revocation see paras 237–240 ante; and as to the additional grounds for revocation of a Community collective mark see para 300 post.
2 As to the grounds of invalidity see paras 243–245 ante; and as to the additional ground of invalidity of a Community collective mark see para 301 post.
3 It is presumed that there should be read into this part of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 56(5) words to the effect of 'or that the trade mark should be revoked', since revocation relates to events which occur after a registration: ex hypothesi, the trade mark was rightly registered but should now be revoked. See further paras 235, 237 et seq ante.
4 For the meaning of 'Community trade mark' see para 206 ante.

5 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) arts 56(5), 96(5) (art 96(5) substituted by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)).
6 For the meaning of 'Community trade mark court' see para 250 ante.
7 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 96(6). Any party may request information about such a transmission (art 96(6)) but it is not clear from whom. The Office must mention the judgment in the register of Community trade marks in accordance with the provisions of EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 96(6). As to the Office see para 180 et seq ante. As to the register of Community trade marks see para 188 ante.

265. Request that counterclaim proceed by way of application to the Office. The Community trade mark court[1] hearing a counterclaim for revocation[2] or for a declaration of invalidity[3] may stay the proceedings on application by the proprietor of the Community trade mark[4] and after hearing the other parties, and may request the defendant to submit an application for revocation or for a declaration of invalidity to the Office for Harmonisation in the Internal Market[5] within a time limit which it must determine[6].

If such an application is not made within the time limit, the proceedings must continue; and the counterclaim is deemed withdrawn[7].

Where the Community trade mark court stays the proceedings it may order provisional and protective measures for the duration of the stay[8].

1 For the meaning of 'Community trade mark court' see para 250 ante.
2 As to the grounds for revocation see paras 237–240 ante; and as to the additional grounds for revocation of a Community collective mark see para 300 post.
3 As to the grounds of invalidity see paras 243–245 ante; and as to the additional ground of invalidity of a Community collective mark see para 301 post.
4 For the meaning of 'Community trade mark' see para 206 ante.
5 As to the Office see para 180 et seq ante; and as to applying for revocation or for a declaration of invalidity to the Office see paras 289–290 post.
6 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 96(7).
7 Ibid art 96(7).
8 Ibid arts 96(7), 100(3). As to provisional and protective measures see para 258 ante.

(v) Miscellaneous Proceedings

266. Groundless threats of infringement proceedings. The statutory provisions[1] relating to groundless threats of infringement proceedings apply in relation to a Community trade mark[2] as in relation to a registered trade mark[3].

1 Ie the Trade Marks Act 1994 s 21: see paras 123–125 ante.
2 For the meaning of 'Community trade mark' see para 206 ante.
3 Community Trade Mark Regulations 2006, SI 2006/1027, regs 2, 6(1). The provisions relating to threats also apply with minor modifications to an international trade mark (EC): regs 2(2), 6(2). For the meaning of 'international trade mark (EC)' see para 8 note 17 ante. For the meaning of 'registered trade mark' see para 127 ante.

267. Importation of infringing goods, materials or articles. The statutory provisions[1] providing that infringing goods[2], material[3] or articles[4] may be treated as prohibited goods, and relating to the power of the Commissioners for Her Majesty's Revenue and Customs[5] to disclose information, apply in relation to a Community trade mark[6] as they apply in relation to a registered trade mark[7].

1 Ie the Trade Marks Act 1994 ss 89, 90, 91 (all as amended): see paras 149, 151–152 ante.
2 For the meaning of 'infringing goods' see para 150 ante.
3 For the meaning of 'infringing material' see para 150 ante.
4 For the meaning of 'infringing articles' see para 150 ante.

5 As to the Commissioners for Her Majesty's Revenue and Customs see CUSTOMS AND EXCISE vol 12(3) (2007 Reissue) para 900 et seq.
6 For the meaning of 'Community trade mark' see para 206 ante.
7 Community Trade Mark Regulations 2006, SI 2006/1027, regs 2, 7(1) (amended by virtue of the Commissioners for Revenue and Customs Act 2005 s 50(1), (7)). The Trade Marks (Customs) Regulations 1994, SI 1994/2625 (see para 151 ante) apply in relation to notices given under the provisions of the Trade Marks Act 1994 s 89 (as amended) as so applied: Community Trade Mark Regulations 2006, SI 2006/1027, reg 7(2). These provisions also apply to international trade marks (EC): reg 2(2). For the meaning of 'international trade mark (EC)' see para 8 note 17 ante. For the meaning of 'registered trade mark' see para 127 ante.

268. Offences and forfeiture. The statutory provisions[1] relating to unauthorised use of a trade mark etc in relation to goods, search warrants, the enforcement function of local weights and measures authorities[2] and forfeiture apply in relation to a Community trade mark[3] as they apply in relation to a registered trade mark[4].

1 Ie the Trade Marks Act 1994 s 92 (unauthorised use of a trade mark etc in relation to goods: see paras 141–144 ante), s 92A (as added) (search warrants: see para 145 ante), s 93 (enforcement function of local weights and measures authorities: see para 146 ante), s 97 (forfeiture: see para 140 ante).
2 As to local weights and measures authorities see para 146 note 1 ante.
3 For the meaning of 'Community trade mark' see para 206 ante.
4 Community Trade Mark Regulations 2006, SI 2006/1027, regs 2, 8(1). For the purposes of the provisions mentioned in the text and note 1 supra, references to goods in respect of which a trade mark is registered include goods in respect of which an international trade mark (EC) confers protection in the European Community: reg 8(2). These provisions also apply to international trade marks (EC): reg 2(2). For the meaning of 'international trade mark (EC)' see para 8 note 17 ante. For the meaning of 'registered trade mark' see para 127 ante.

269. Falsely representing trade mark as a Community trade mark. It is an offence for a person:

(1) falsely to represent that a mark is a Community trade mark[1]; or
(2) to make false representations as to the goods or services for which a Community trade mark is registered,

knowing or having reason to believe that the representation is false[2].

1 For the meaning of 'Community trade mark' see para 206 ante. Cf the similar provision relating to registered trade marks provided by the Trade Marks Act 1994 s 95: see para 148 ante.
2 Community Trade Mark Regulations 2006, SI 2006/1027, reg 9(1). A person guilty of an offence under this regulation is liable on summary conviction to a fine not exceeding level 3 on the standard scale: reg 9(2). As to the standard scale see para 32 note 13 ante. These provisions also apply to international trade marks (EC): reg 2(2). For the meaning of 'international trade mark (EC)' see para 8 note 17 ante.

(7) COMMUNITY TRADE MARKS AS OBJECTS OF PROPERTY; ASSIGNMENT AND LICENSING

270. In general. Community trade marks[1], like trade marks registered under the Trade Marks Act 1994[2], may be assigned and licensed without substantial restrictions. The proprietor must not allow his mark to become deceptive without risking revocation[3]. Subject to that, a Community trade mark is treated in a similar way to other incorporeal rights as regards the freedom of its owner to deal with it.

1 For the meaning of 'Community trade mark' see para 206 ante.
2 As to registered trade marks as objects of property, and as to assignment and licensing of the same, see para 126 et seq ante.
3 See para 240 ante.

271. Community trade marks as objects of property. A Community trade mark[1] is to be regarded as an object of property which exists separately from the undertaking whose goods or services are designated by it[2].

Thus a Community trade mark may, independently of the undertaking, be given as security or be the subject of rights in rem[3] and it may be levied in execution[4].

1 For the meaning of 'Community trade mark' see para 206 ante. EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 24 provides that the provisions relating to Community trade marks as objects of property (i e arts 16–23) apply to applications for Community trade marks. Therefore, such applications are similarly to be regarded as objects of property. As to the making of an application for a Community trade mark see paras 278–283 post.
2 Ibid 10th recital.
3 Ibid art 19(1). At the request of one of the parties, the rights mentioned in art 19(1) must be entered into the register (see para 188 ante) and published: art 19(2). As to the consequences of failing to register such rights see art 23; and para 276 post.
4 Ibid art 20(1). As regards the procedure for levy of execution in respect of a Community trade mark, the courts and authorities of the member states determined in accordance with art 16 (see para 272 post) have exclusive jurisdiction: art 20(2). At the request of one of the parties, levy of execution must be entered into the register and published: art 20(3). The effects vis-à-vis third parties of the levy of execution are governed by the law of the member state determined in accordance with art 16 (see para 272 post): art 23(3).

272. Dealing with Community trade marks as national trade marks. Unless otherwise provided[1], a Community trade mark[2] as an object of property[3] must be dealt with in its entirety, and for the whole area of the Community, as a national trade mark[4] registered in:

(1) the member state in which, according to the register of Community trade marks, the proprietor has his seat or his domicile on the relevant date[5];
(2) if head (1) above does not apply, the member state in which, according to the register of Community trade marks, the proprietor has an establishment on the relevant date[6]; or
(3) in cases which are not provided for by head (1) or head (2) above, Spain[7].

1 Ie under EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, arts 17–24 (see paras 231, 271 ante, 273–276 post).
2 For the meaning of 'Community trade mark' see para 206 ante.
3 As to applications for Community trade marks as objects of property see para 271 note 1 ante.
4 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 16(1).
5 Ibid art 16(1)(a).
6 Ibid art 16(1)(b).
7 Ibid art 16(2). Spain is the state where the Office for Harmonisation in the Internal Market has its seat: art 16(2); Statement by the Council and the Commission on the seat of the Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OJ L11, 14.1.94, p 36).

If two or more persons are mentioned in the register of Community trade marks (see para 188 ante) as joint proprietors, head (1) in the text or, where that does not apply, head (2) in the text applies to the joint proprietor first mentioned; failing this, it applies to the subsequent joint proprietors in the order in which they are mentioned: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 16(3). Where heads (1) and (2) in the text do not apply to any of the joint proprietors, head (3) in the text applies: art 16(3).

273. Insolvency proceedings. The only insolvency proceedings in which a Community trade mark[1] may be involved are those opened in the member state in the territory of which the debtor has his centre of main interests[2]. However, where the debtor is an insurance undertaking or a credit institution[3], the only insolvency proceedings in which a Community trade mark may be involved are those opened in the member state where that undertaking or institution has been authorised[4]. In the case of joint proprietorship of a Community trade mark, these provisions apply to the share of the joint proprietor[5]. Where a Community trade mark is involved in insolvency proceedings, on request of the competent national authority an entry to this effect must be made in the register[6] and published in the Community Trade Marks Bulletin[7].

1 For the meaning of 'Community trade mark' see para 206 ante; and as to the application of these provisions to applications for Community trade marks see para 271 note 1 ante.

2 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 21(1) (art 21 substituted by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)).
3 Ie as defined in EC Parliament and Council Directive 2001/17 (OJ L110, 20.4.01, p 28) on the re-organisation and winding up of insurance undertakings and in EC Parliament and Council Directive 2001/24 (OJ 125, 5.5.01, p 15) on the re-organisation and winding up of credit institutions respectively.
4 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 21(1) (as substituted: see note 2 supra).
5 Ibid art 21(2) (as substituted: see note 2 supra).
6 As to the register see para 188 ante.
7 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 21(3) (as substituted: see note 2 supra). As to the Community Trade Marks Bulletin see para 190 ante.

274. Transfer of Community trade marks. In general[1], an assignment of the Community trade mark[2] must be made in writing and requires the signature of the parties to the contract, except when it is a result of a judgment; otherwise it is void[3].

A Community trade mark may be transferred, separately from any transfer of the undertaking, in respect of some or all of the goods or services for which it is registered[4].

On request of one of the parties a transfer must be entered in the register[5] and published[6]. As long as the transfer has not been entered in the register, the successor in title may not invoke the rights arising from the registration of the Community trade mark[7].

1 Ie without prejudice to EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 17(2) (which provides that a transfer of the whole of the undertaking includes the transfer of the Community trade mark except where, in accordance with the law governing the transfer, there is agreement to the contrary or circumstances clearly dictate otherwise). Article 17(2) applies to the contractual obligation to transfer the undertaking: art 17(2). The word 'whole' in art 17(2) must be interpreted in a common sense manner, and it is immaterial if the transfer is subject to one or two express exceptions or if the parties transferred the beneficial ownership of parallel UK trade marks but failed to transfer the bare legal title: *My Fotostop Ltd v Fotostop Group Ltd* [2006] EWHC 2729 (Ch), [2007] FSR 453.
2 For the meaning of 'Community trade mark' see para 206 ante; and as to the application of these provisions to applications for Community trade marks see para 271 note 1 ante.
3 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 17(3).
4 Ibid art 17(1).
5 As to the register see para 188 ante.
6 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 17(5). As to the procedure see EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark, art 1 rr 31–32, 35 (all amended by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)). As to the consequences of failing to register a transfer see EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 17(6) (see the text and note 7 infra) and art 23 (see para 276 post).

Where it is clear from the transfer documents that because of the transfer the Community trade mark is likely to mislead the public concerning the nature, quality or geographical origin of the goods or services in respect of which it is registered, the Office for Harmonisation in the Internal Market must not register the transfer unless the successor agrees to limit registration of the Community trade mark to goods or services in respect of which it is not likely to mislead: art 17(4). As to the Office see para 180 et seq ante.
7 Ibid art 17(6). Where there are time limits to be observed vis-à-vis the Office, the successor in title may make the corresponding statements to the Office once the request for registration of the transfer has been received by the Office: art 17(7).

275. Licensing of Community trade marks. A Community trade mark[1] may be licensed for some or all of the goods or services for which it is registered and for the whole or part of the Community[2]. A licence may be exclusive or non-exclusive[3]. On request of one of the parties the grant or transfer of a licence in respect of a Community trade mark must be entered in the register[4] and published[5].

Without prejudice to the provisions of the licensing contract, the licensee may bring proceedings for infringement[6] of a Community trade mark only if its proprietor consents to it[7]. However, the holder of an exclusive licence may bring such proceedings

if the proprietor of the trade mark, after formal notice, does not himself bring infringement proceedings within an appropriate period[8].

For the purpose of obtaining compensation for damage suffered by him, a licensee is entitled to intervene in infringement proceedings brought by the proprietor of the Community trade mark[9].

1 For the meaning of 'Community trade mark' see para 206 ante.

2 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 22(1). As to the dangers of licensing in this way see para 129 note 9 ante. The proprietor of a Community trade mark may invoke the rights conferred by that trade mark against a licensee who contravenes any provision in his licensing contract with regard to its duration, the form covered by the registration in which the trade mark may be used, the scope of the goods or services for which the licence is granted, the territory in which the trade mark may be affixed, or the quality of the goods manufactured or of the services provided by the licensee: art 22(2).

3 Ibid art 22(1). The Regulation contains no definition of an exclusive licence: cf the Trade Marks Act 1994 s 29(1); and para 137 ante.

4 As to the register see para 188 ante.

5 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 22(5). As to the procedure see EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark, art 1 rr 33–35 (rr 33, 35 amended, and r 34 substituted, by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)). As to the consequences of failing to register a licence see EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 23; and para 276 post.

6 As to infringement proceedings see para 257 et seq ante; and as to the grounds on which such proceedings may be brought see para 224 et seq ante.

7 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 22(3).

8 Ibid art 22(3).

9 Ibid art 22(4).

276. Effects of dealings in Community trade marks vis-à-vis third parties. Certain legal acts[1] concerning a Community trade mark[2] only have effects vis-à-vis third parties in all the member states after entry in the register[3]. Nevertheless, such an act, before it is so entered, has effect vis-à-vis third parties who have acquired rights in the trade mark after the date of that act but who knew of the act at the date on which the rights were acquired[4].

The above provisions[5] do not apply in the case of a person who acquires the Community trade mark or a right concerning the Community trade mark by way of transfer of the whole of the undertaking or by any other universal succession[6].

1 Ie the legal acts referred to in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 17 (transfer of Community trade marks: see para 274 ante), art 19 (security and rights in rem: see para 271 ante) and art 22 (licensing of Community trade marks: see para 275 ante).

2 For the meaning of 'Community trade mark' see para 206 ante; and as to the application of these provisions to applications for Community trade marks see para 271 note 1 ante.

3 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 23(1). As to the register see para 188 ante.

4 Ibid art 23(1). The effect of these provisions is that a successor in title to a Community trade mark or right in it is bound by a licence already granted if: (1) the licence was registered; (2) he has notice of it; or (3) he acquired the Community trade mark by way of transfer of the whole of the undertaking or by any other universal succession. Accordingly, where EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) refers to the 'consent' of the proprietor, this should be read as including a case where the proprietor is bound by a licence under these provisions. Such a position is expressly provided for by the Trade Marks Act 1994 s 28(3): see para 136 notes 3, 6 ante.

As to the effects of levy of execution of a Community trade mark see EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 23(3); and para 271 note 4 ante.

5 Ie ibid art 23(1).

6 Ibid art 23(2). See also note 4 supra.

(8) PROCEDURE IN THE OFFICE

(i) In general

277. Introduction. The Community Trade Mark Regulation[1] and the Implementing Regulation[2] provide for detailed rules of procedure for proceedings in the Office for Harmonisation in the Internal Market[3], relating to applications[4] for Community trade marks[5], opposition proceedings[6], applications for revocation or a declaration of invalidity[7] and appeals[8]. The detail of these procedures is beyond the scope of this work, but a summary follows.

1 Ie EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark.

2 Ie EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark. See para 178 ante.

3 As to the Office see para 180 et seq ante. General rules of procedure are set out in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) arts 73–78a (arts 78, 81 amended, and arts 77a, 78a added, by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)). They provide for the statement of reasons on which decisions are based: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 73. The decision may only be based on reasons or evidence on which the parties concerned have had an opportunity to present their comments: see Case T-79/00 *Rewe Zentral AG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2002] ECR II-705, [2002] IP & T 533, CFI; Case T-36/01 *Glasverbal v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2002] ECR II-3887, [2002] IP & T 684, CFI; but cf Case T-303/03 *Lidl Stiftung & Co KG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2005] ECR II-1917, CFI; Case T-273/02 *Krüger GmbH & Co KG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2005] ECR II-1271, [2005] All ER (D) 261 (Apr), CFI). They also provide for the examination of the facts by the Office of its own motion except in proceedings relating to relative grounds for refusal (EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 74(1)); for the Office to have a discretion to disregard facts or evidence not submitted in due time (art 74(2); and see Case C-29/05P *Office for Harmonisation in the Internal Market (Trade Marks and Designs) v Kaul GmbH* [2007] All ER (D) 226 (Mar), ECJ); for oral proceedings and the taking of evidence (EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) arts 75–76); for notification (art 77); for revocation of decisions where the Office has made an obvious procedural error (art 77a (as so added)); and for the re-establishment of rights or the continuation of proceedings in the event of missed time limits (art 78 (as so amended), art 78a (as so added)). Time limits directly fixed by the legislation, as opposed to those set by the Office, are in principle non-extendible: Case T-232/00 *Chef Revival USA Inc v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2002] ECR II-2479, [2002] All ER (D) 60 (Jun), CFI; Case T-388/00 *Institut für Lernsysteme GmbH v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2002] ECR II-4301, [2002] All ER (D) 340 (Oct), CFI; but see Case T-163/98 *Procter & Gamble Co v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [1999] ECR II-2383, [1999] All ER (EC) 648 (revsd on other grounds Case C-383/99P *Procter & Gamble Co v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2002] Ch 82, [2001] ECR I-6521, ECJ); Case T-308/01 *Henkel KGgA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2003] ECR II-3253, [2003] All ER (D) 155 (Sep), CFI; Case T-164/02 *Kaul GmbH v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR II-3807, [2005] IP & T 392, CFI) (revsd on other grounds Case C-29/05P *Office for Harmonisation in the Internal Market (Trade Marks and Designs) v Kaul GmbH* [2007] All ER (D) 226 (Mar), ECJ). Provisions relating to costs are provided for in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) arts 81, 82 (art 81 amended by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)); and EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 94 (amended by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)). Further procedural matters are provided for by EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 rr 52–60, 70–73 (rr 53, 59, 72 amended, r 60 substituted, and r 53a added, by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)).

Detailed provision as to notification by the Office is made by EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 rr 61–69 (rr 61, 62, 65, 66 amended by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)); and provision as to other communications with the Office are provided for by EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 rr 79–80, 82–83 (rr 79–80, 82 amended, and r 83 substituted, by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)).

In the absence of procedural provisions in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1), EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1), EC Commission Regulation 2869/95 (OJ L303, 15.12.95, p 33) on the fees payable to the Office for Harmonisation in the Internal Market

(Trade Marks and Designs), or the rules of procedure of the Boards of Appeal, the Office must take into account the principles of procedural law generally recognised in the member states: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 79.

4 The procedure relating to applications for Community trade marks is provided for by ibid arts 25–28 (art 25, 26 as amended), art 36 (as amended), arts 38–41 (art 40 as substituted), arts 44, 44a (as added) and art 45: see para 278 et seq post.

5 For the meaning of 'Community trade mark' see para 206 ante.

6 The procedure relating to opposition proceedings is provided for by EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) arts 42–43: see para 282 post.

7 The procedure relating to applications for revocation or a declaration of invalidity is provided for by ibid arts 55–56 (art 56 as amended): see paras 289–290 post.

8 The procedure relating to appeals is provided for by ibid arts 57–63 (arts 60 as substituted, art 60a as added): see paras 291–294 post.

(ii) Applications for a Community Trade Mark

278. Filing of applications. An application for a Community trade mark[1] must be filed, at the choice of the applicant:

(1) at the Office for Harmonisation in the Internal Market[2]; or

(2) at the central industrial property office of a member state or at the Benelux Trade Mark Office[3].

Where the application is filed as mentioned in head (2) above, the office mentioned there must take all steps to forward the application to the Office for Harmonisation in the Internal Market within two weeks[4] after filing[5].

An application[6] for a Community trade mark must contain:

(a) a request for the registration of a Community trade mark[7];

(b) information identifying the applicant[8];

(c) a list of the goods or services in respect of which the registration is requested[9];

(d) a representation of the trade mark[10];

(e) if the applicant has appointed a representative[11], his name and the address of his place of business[12];

(f) where the priority of a previous application is claimed[13], a declaration to that effect, stating the date on which and the country in or for which the previous application was filed[14];

(g) where exhibition priority is claimed[15], a declaration to that effect, stating the name of the exhibition and the date of the first display of the goods or services[16];

(h) where the seniority of one or more earlier trade marks[17] is claimed[18], a declaration to that effect, stating the member state or member states in or for which the relevant registration was effective, the number of the relevant registration, and the goods or services for which the mark is registered[19];

(i) where applicable, a statement that the application is for registration of a Community collective mark[20];

(j) specification of languages in which the application has been filed, and the second language[21];

(k) the signature of the applicant or his representative in accordance with the relevant rule[22]; and

(l) where applicable, the request of a search report[23].

1 For the meaning of 'Community trade mark' see para 206 ante.

2 As to the Office see para 180 et seq ante.

3 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 25(1). An application filed at the central industrial property office of a member state or at the Benelux Trade Mark Office has the same effect as if it had been filed on the same date at the Office for Harmonisation in the Internal Market: art 25(1)(b).

4 Such applications which reach the Office more than two months after filing are deemed to have been filed on the date on which the application reached the Office: ibid art 25(3) (substituted by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)).

5 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 25(2). The central industrial property office or the Benelux Trade Mark Office may charge the applicant a fee which must not exceed the administrative costs of receiving and forwarding the application: art 25(2).

6 The application for a Community trade mark is subject to the payment of the application fee and, when appropriate, of one or more class fees: ibid art 26(2). The application fee in the United Kingdom is currently set at £15.00: Community Trade Mark (Fees) Regulations 1995, SI 1995/3175, reg 2.

7 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 26(1)(a), (3); EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 1(1)(a). If the applicant is applying for a Community collective mark, then the application must indicate this: see EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 64(1); and para 295 post.

8 Ibid art 26(1)(b). The application must contain the name, address and nationality of the applicant and the state in which he is domiciled or has his seat or an establishment. Names of natural persons must be indicated by the person's family name and given name or names. Names of legal entities, as well as bodies falling under art 3 (capacity to act: see para 192 ante) must be indicated by their official designation and include the legal form of the entity, which may be abbreviated in a customary manner. The telephone numbers, fax numbers, electronic mail address and details of other data communications links under which the applicant accepts to receive communications may be given. Only one address may, in principle, be indicated for each applicant; where several addresses are indicated, only the address mentioned first will be taken into account, except where the applicant designates one of the addresses as an address for service: EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 1(1)(b) (substituted by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)).

9 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 26(1)(c). This requirement may be fulfilled by a reference to the list of goods or services of a previous Community trade mark application: EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 1(1)(c) (amended by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)). Goods and services in respect of which Community trade marks are applied for must be classified in conformity with the system of classification provided by the Nice Agreement concerning the International Classification of Goods and Services for the purposes of the Registration of Marks of 15 June 1957 (as revised on 13 May 1977) (Cmnd 6898), as revised and amended: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 28; EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 2(1); Case R 167/1998–1 *San Francisco Challenge's Application* (24 March 1999, unreported), OHIM Board of Appeal; Case R-6/2002–3 *Ratiopharm GmbH's Application* (OJ OHIM 09/03 p 1657), OHIM Board of Appeal. See para 370 post. The Office's practice is not to accept descriptions such as 'All goods/services in Class X', but it does accept descriptions comprising the class headings of the Nice Classification which it treats as covering all goods or services comprised within the relevant class or classes (contrary to the view of World Intellectual Property Organisation ('WIPO') and the United Kingdom registry).

The description of goods or services must be comprehensible, clear and precise: Case R 46/1992–2 *Giacomelli Sport SpA's Application* [2000] ETMR 277, OHIM Board of Appeal; *Ratiopharm GmbH's Application* supra; Case C-418/02 *Praktiker Bau- und Heimwerkermarkte AG* [2005] ECR I-5873, ECJ.

10 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 26(1)(d); EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 1(1)(d). As to the requirement of graphical representation of the trade mark see para 57 note 2 ante. As to the method of representing the mark see EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 3 (amended by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)). For example, an application for a three-dimensional mark must contain an indication to that effect and must depict the mark graphically or photographically with no more than six different perspectives (EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 3(4)); similarly, an application for a coloured mark must include a colour representation of the mark and the colours making up the mark must be indicated in words and may include a reference to a recognised colour code (art 1 r 3(5) (as so amended)).

11 As to representation see para 192 et seq ante.

12 EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 1(1)(e). The address of his place of business must be in accordance with art 1 r 1(1)(b): see note 8 supra. If the representative has more than one business address or if there are two or more representatives with different business addresses, the application must indicate which address is the address for service; where such an indication is not made, only the first-mentioned address will be taken into account as an address for service: art 1 r 1(1)(e).

13 Ie pursuant to EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 30: see para 284 post.

14 EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 1(1)(f).

15 Ie pursuant to EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 33: see para 285 post.

16 EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 1(1)(g).

17 Ie trade marks registered in a member state, including a trade mark registered in the Benelux countries or registered under international arrangements having effect in a member state.

18 Ie pursuant to EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 34: see para 287 post.

19 EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 1(1)(h).

20 Ibid art 1 r 1(1)(i). As to Community collective marks see para 295 et seq post.

21 Ibid art 1 r 1(1)(j). As to languages see para 185 ante.

22 Ibid art 1 r 1(1)(k) (substituted by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)). The relevant rule is EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 79: see para 277 ante.

23 Ibid art 1 r 1(1)(l) (added by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)). The search report is referred to in EC Council Regulation 40/94 (OJ L 11, 14.1.94, p 1) art 39(2): see para 279 post. The search reports must be prepared using a standard form which contains at least the following information: (1) the name of the central industrial property offices that carried out the search; (2) the number of the trademark applications or registrations mentioned in the search report; (3) the date of application and, if applicable, the date of priority of the trademark applications or registrations mentioned in the search report; (4) the date of registration of the trademarks mentioned in the search report; (5) the name and contact address of the holder of the trademarks applications or registrations mentioned in the search report; (6) a representation of the trademarks applied for or registered mentioned in the search report; and (7) an indication of the classes, according to the Nice Classification, for which the earlier national trademarks are applied for or registered or of the goods and services for which the trademarks mentioned in the search report are either applied for or registered: EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 5a (added by EC Commission Regulation 1041/2005(OJ L172, 5.7.05, p 4)).

The date of filing of a Community trade mark application is the date on which documents containing the information specified in EC Council Regulation 40/94 (OJ L 11, 14.1.94, p 1) art 26(1) (see heads (a)–(d) in the text) are filed with the Office by the applicant or, if the application has been filed with the central office of a member state or with the Benelux Trade Mark Office, with that office, subject to payment of the application fee within a period of one month of filing such documents: art 27; EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 5; and see Case R 7/97–3 *Orange Personal Communications Services Ltd's Application* [1998] ETMR 337, OHIM Board of Appeal.

A Community trade mark application which has been accorded a date of filing is, in the member states, equivalent to a regular national filing, where appropriate with the priority claimed for the Community trade mark application: EC Council Regulation 40/94 (OJ L 11, 14.1.94, p 1) art 32.

279. Consideration of the application. The Office for Harmonisation in the Internal Market[1] must examine whether the Community trade mark[2] application satisfies the prescribed[3] requirements[4]; and provision is made for the correction of deficiencies which can be corrected[5].

Once the Office has accorded a date of filing to the application[6] and has established that the applicant is entitled to be the proprietor of a Community trade mark[7], it must:

(1) examine the application for compliance with the absolute grounds[8] for refusal of registration[9]; and

(2) conduct a search[10] of earlier trade marks which may be invoked against the application[11].

Thereafter, the application must be published to the extent that it is not refused[12], and third parties may comment upon the application[13].

Where a trade mark is ineligible for registration[14] in respect of some or all of the goods or services covered by the Community trade mark application, the application must be refused as regards those goods or services[15].

1 As to the Office see para 180 et seq ante.

2 For the meaning of 'Community trade mark' see para 206 ante.

3 Ie (1) the requirements for the accordance of a date of filing in accordance with EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 27 (see para 278 note 23 ante); (2) the conditions laid down in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) and in EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark); and (3) where appropriate, the payment of the class fees within the prescribed period: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 36(1) (amended by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)).

4 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 36(1) (as amended: see note 3 supra).

5 See ibid art 36(2)–(7). As to the general procedural provisions for proceedings in the Office see para 277 note 3 ante. Examination is undertaken by the examiners: see para 182 ante.

6 Ie in accordance with ibid art 27: see para 278 note 23 ante. A decision to grant a filing date cannot be revoked: Case R 78/1998–1 *Notetry Ltd's Application* [1999] ETMR 435, OHIM Board of Appeal; Case R 157/1998–3 *Chemisphere UK Inc's Application* [1999] ETMR 999, OHIM Board of Appeal. A refusal to grant a filing date may be challenged on appeal: Case R 227/1998–3 *Beta-Film GmbH & Co's Application* (30 April 1999, unreported), OHIM Board of Appeal; Case R 143/1998–1 *Vitabiotics Ltd's Application* (OJ OHIM 01/00 p 144), OHIM Board of Appeal.

7 As to the persons who may be the proprietor of a Community trade mark see EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 5 (as substituted); and para 207 ante.

8 For the absolute grounds for refusal of registration see ibid art 7; and para 209 et seq ante.

9 See ibid art 38; and EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 rr 9–11 (r 10 amended by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)).

Where the trade mark contains an element which is not distinctive, and where the inclusion of the said element in the trade mark could give rise to doubts as to the scope of protection of the trade mark, the Office may request, as a condition for registration of the said trade mark, that the applicant state that he disclaims any exclusive right to such element; and any disclaimer must be published together with the application or the registration of the Community trade mark, as the case may be: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 38(2). Disclaimers are not common in Office practice; cf disclaimers under the Trade Marks Act 1994 s 13: see para 83 ante.

The Office is not bound to follow decisions by member states on the absolute grounds prohibiting registrability (see para 209 et seq ante), and must in each case make its own assessment as to the existence of such grounds. However such decisions may be taken into account: see Case C-218/01 *Henkel KGaA v Deutsches Patent and Markenamt* [2004] ECR I-1725, ECJ. Nor is the Office bound to follow its own earlier decisions: Case T-106/00 *Streamserve Inc v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2003] ECR II-723, [2003] IP & T 439, CFI (affd on other grounds Case C-150/02P *Streamserve Inc v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR I-1461, ECJ); Case T-323/00 *SAT.1 SatellitenFernsehen GmbH v Office for Harmonisation in the Internal Market* [2003] ECR II-2839, CFI (revsd on other grounds Case C-329/02P *SAT.1 SatellitenFernsehen GmbH v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR I-8317, [2005] IP & T 943, ECJ).

10 Provision for searching is made in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 39: see text and notes 11–12 infra. This provision is substituted as from 10 March 2008 by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)).

11 See EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 39(1). This provision is substituted as from 10 March 2008 by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1), removing the requirement that an applicant be eligible to be the proprietor of a Community trade mark under EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 5 (as substituted) (see para 207 ante).

The Office must, as soon as the Community trade mark application has been accorded a date of filing, transmit a copy thereof to the central industrial property office of each member state which has informed the Office of its decision to operate a search in its own register of trade marks in respect of Community trade mark applications: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 39(2). This provision is substituted as from 10 March 2008 by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1), adding the conditions that, at the time of filing a Community trade mark application, the applicant must request that a search report also be prepared by the central industrial property offices of the member states and that the appropriate search fee must have been paid within the time limit for the payment of the filing fee.

12 If the conditions which the application for a Community trade mark must satisfy have been fulfilled and if the period referred to in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 39(7) has expired, the application must be published to the extent that it has not been refused pursuant to art 38 (see the text and notes 14–15 infra): art 40(1) (art 40 substituted by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)). Where, after publication, the application is refused under EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 38, the decision that it has been refused must be published upon becoming final: art 40(2) (as so substituted). As to publication of the application see further EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 12 (amended by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)).

13 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) provides that following the publication of the Community trade mark application, any natural or legal person and any group or body representing manufacturers, producers, suppliers of services, traders or consumers may submit to the Office written observations, explaining on which grounds under art 7 (absolute grounds for refusal of registration: see para 209 et seq ante), in particular, the trade mark must not be registered ex officio: art 41(1). Such persons must not be parties to the proceedings before the Office: art 41(1). The observations mentioned

above must be communicated to the applicant, who may comment on them: art 41(2). This is an important procedure, because it is the only way in which third parties can raise absolute grounds for refusal against an application (which cannot be raised in opposition proceedings: see para 282 post).

14 Ie under ibid art 7: see para 209 et seq ante.

15 Ibid art 38(1). However, the application may not be refused before the applicant has been given the opportunity of withdrawing or amending his application or submitting his observations: art 38(3).

280. Withdrawal, restriction and amendment of the application. The applicant may at any time[1] withdraw[2] his Community trade mark[3] application or restrict[4] the list of goods or services[5] contained in it. Where the application has already been published, the withdrawal or restriction must also be published[6].

In other respects, a Community trade mark application may be amended, upon request of the applicant, only by correcting the name and address of the applicant, errors of wording or of copying, or obvious mistakes, provided that such correction does not substantially change the trade mark or extend the list of goods or services[7]. Where the amendments affect the representation of the trade mark or the list of goods or services and are made after publication of the application, the trade mark application must be published as amended[8].

1 Restrictions and amendments may be made on appeal: Case T-289/02 *Telepharmacy Solutions Inc v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR II-2851, [2004] All ER (D) 122 (Jul), CFI; Case R 544/2002–1 *EarthLink Network Inc v Stamer Musikanlagen GmbH* (17 December 2003, unreported), OHIM Board of Appeal.

2 The withdrawal of an application for a Community trade mark must be made expressly and unconditionally by the applicant: Case T-219/00 *Ellos v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2002] ECR II-753, [2002] IP & T 384, CFI; Joined Cases T-466/04 and T-467/04 *Dami v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] ECR II-183, [2006] All ER (D) 09 (Feb), CFI.

3 For the meaning of 'Community trade mark' see para 206 ante.

4 Whether an amendment restricts the list of goods or services is a question of substance not form: see Case R-517/2001–1 *Financial Interactive Inc's Application* (OJ OHIM 01/03 p 33), OHIM Board of Appeal.

5 As to the list of goods or services see EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 28; EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 2(1); and para 278 note 9 ante.

6 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 44(1). The procedure for such amendment is provided for by EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 13 (amended by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)). A request to amend the application to restrict the list of goods or services must be made expressly and unconditionally: Case T-219/00 *Ellos v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2002] ECR II-753, [2002] IP & T 384, CFI; Case T-396/02 *August Storck KG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR II-3821, [2004] All ER (D) 157 (Nov), CFI; Case C-412/05 *Alcon Inc v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2007] All ER (D) 238 (Apr), ECJ.

7 As to the circumstances in which a typographical error in the trade mark applied for may be corrected see Case T-128/99 *Signal Communications Ltd v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2001] ECR II-3273, CFI (TELEYE amended to TELEEYE). Cf the approach under the Trade Marks Act 1994 s 39: see para 375 post.

8 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 44(2). As to the procedure for such amendment see EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 14. As to publication see para 190 ante.

281. Division of the application. The applicant may divide the application by declaring that some of the goods or services included in the original application will be the subject of one or more divisional applications[1]. The goods or services in the divisional application must not overlap with the goods or services which remain in the original application or those which are included in other divisional applications[2].

Division is not permissible:

(1) if, where an opposition[3] has been entered against the original application, such a divisional declaration has the effect of introducing a division amongst the

goods or services against which the opposition has been directed, until the decision of the Opposition Division[4] has become final or the opposition proceedings are finally terminated otherwise[5];

(2) during the periods laid down in the Implementing Regulation[6].

1 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 44a(1) (art 44a added by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)). The declaration must comply with the provisions set out in EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark (the 'Implementing Regulation'): EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 44a(3) (as so added). The declaration is subject to a fee and must be deemed not have been made until the fee is paid: art 44a(4) (as so added). As to the procedure for the division of an application see EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 13a (added by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)).

Division of a Community trade mark registration is also possible: see EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 48a(1) (as added); and para 249 ante. Under the Trade Marks Act 1994 s 41(1) only division of an application, and not division of a registration, is permitted: see para 367 post.

2 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 44a(1) (as added: see note 1 ante).

3 As to oppositions see para 282 post.

4 As to the Opposition Division see para 182 ante.

5 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 44a(2)(a) (as added: see note 1 ante).

6 Ibid art 44a(2)(b) (as added: see note 1 ante). As to the Implementing Regulation see note 1 supra.

282. Opposition. Within a period of three months following the publication[1] of a Community trade mark[2] application[3], notice of opposition to registration of the trade mark may be given on the grounds that it may not be registered by reason of one of the relative grounds for refusal of registration[4]:

(1) by the proprietors of earlier trade marks[5], as well as licensees authorised by the proprietors of those trade marks, in respect of the relevant grounds[6];

(2) by the proprietors of trade marks, whose agents or representatives have applied to register the trade mark in their own names[7];

(3) by the proprietors of earlier marks or signs[8] and by persons authorised under the relevant national law to exercise such rights[9].

Opposition must be expressed in writing and must specify the grounds on which it is made[10].

If the applicant so requests,[11] the proprietor of an earlier Community trade mark or an earlier national trade mark who has given notice of opposition must furnish proof that, during the period of five years preceding the date of publication of the Community trade mark application, the earlier trade mark had been put to genuine use[12] in the Community[13] or in the member state in question, as the case may be, in connection with goods or services in respect of which it is registered and which he cites as justification for his opposition, or that there are proper reasons[14] for non-use, provided that the earlier trade mark has been registered for not less than five years[15]. In absence of proof to that effect, the opposition must be rejected[16]. If the earlier trade mark has been used in relation to part only of the goods or services for which it is registered it is, for the purposes of the examination of the opposition, deemed to be registered in respect of only that part of the goods or services[17].

The Office for Harmonisation in the Internal Market may, if it thinks fit, invite the parties to an opposition to make a friendly settlement[18]; otherwise it must consider and rule upon the opposition[19]. If examination of the opposition reveals that the trade mark may not be registered in respect of some or all of the goods or services for which the Community trade mark application has been made, the application must be refused in respect of those goods or services; otherwise, the opposition must be rejected[20].

1 As to publication of Community trade mark applications see para 279 note 12 ante.

2 For the meaning of 'Community trade mark' see para 206 ante.

3 Notice of opposition to registration of the trade mark may also be given, subject to the same conditions, in the event of the publication of an amended application in accordance with EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 44(2): see para 280 text and note 8 ante.

4 Ibid art 42(1). As to the relative grounds of refusal see art 8; and para 218 et seq ante. Absolute grounds for refusal (i e under art 7: see para 209 et seq ante) cannot be raised in opposition proceedings, instead they must be raised by way of third party observations under art 41: see para 279 note 13 ante.

5 Ie trade marks referred to in ibid art 8(2): see para 218 ante. An earlier trade mark is presumed to be valid, and it is not open to the applicant to argue that the earlier trade mark is invalid e g by virtue of other national rights in the member state concerned: Case R 723/2001–2 *Barocco Roma Srl v Moda Nuova Fashion AB* (16 December 2003, unreported), OHIM Board of Appeal.

6 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 42(1)(a). The relevant grounds are those under art 8(1) (see paras 219–220 ante) and art 8(5) (see para 221 ante): art 42(1)(a).

7 Ibid art 42(1)(b). The trade marks concerned are those referred to in art 8(3) (see para 223 ante): art 42(1)(b).

8 Ie earlier marks or sign referred to in ibid art 8(4): see para 222 ante.

9 Ibid art 42(1)(c). As to the form and contents of the notice of opposition see further EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark, art 1 r 15 (substituted by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)). An earlier trade mark is sufficiently identified in the notice of opposition if the notice states the registration number and the member state in which it is registered: Case T-186/04 *Spa Monopole, compagnie fermière de Spa SA/NV v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2005] ECR II-2333, [2005] All ER (D) 143 (Jun), CFI. The Office for Harmonisation in the Internal Market treats questions of national law (such as passing off) as issues of fact which must be proved by evidence: Guidelines concerning proceedings before OHIM Part C, Ch 4, para 5.4 (OJ OHIM 05/03 p 1097). As to the Office see para 180 et seq ante.

10 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 42(3). It must not be treated as duly entered until the opposition fee has been paid: art 42(3). Within a period fixed by the Office, the opponent may submit in support of his case facts, evidence and arguments: art 42(3). The notice of opposition must state the grounds on which opposition is based, whereas the submission of facts, evidence and arguments is, at this stage, merely optional: Case T-232/00 *Chef Revival USA Inc v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2002] ECR II-2749, [2002] All ER (D) 60 (Jun), CFI; Case T-53/05 *Calavo Growers Inc v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2007] All ER (D) 80 (Jan), CFI. It is sufficient for this purpose to state 'the opposition is based on a likelihood of confusion' or to tick the relevant box on the official form: Case T-53/05 *Calavo Growers Inc v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* supra. Where black and white copies of notices of opposition were transmitted to the Office by fax before the expiry of the opposition period and colour originals were sent by post promptly thereafter, the oppositions were in time even though the originals arrived after the expiry of the period: Joined Cases T-239/05, T-240/05, T-245/05 to T-247/05, T-255/05, T-274/05 to T-280/05 *Black & Decker Corpn v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2007] All ER (D) 221 (May).

In the examination of the opposition the Office must invite the parties, as often as necessary, to file observations within a period set them by the Office, on communications issued by the other parties or issued by itself: art 43(1). Failure by the applicant to file observations may be interpreted as an implied withdrawal of the application: Case R 406/2004–2 *Erico International Corpn v Laytoncrest Ltd* (26 April 2006, unreported), OHIM Board of Appeal.

11 The applicant must make any such request within the period specified by the Office for filing his observations on the opposition: EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 22(1) (art 1 r 22 substituted by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)). See also Case T-112/03 *L'Oréal SA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2005] ECR II-949, [2005] All ER (D) 267 (Mar), CFI; affd on other grounds Case C-235/05P *L'Oréal SA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] ECR I-57, ECJ.

12 As to genuine use see para 114 note 6 ante.

13 As to the meaning of 'in the Community' see para 237 note 5 ante.

14 As to the meaning of 'proper reasons' see para 114 note 10 ante.

15 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 43(2), (3). As to the procedure to be followed in the event of a request for proof of use, and the nature and form that evidence of use must take, see EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 22 (as substituted: see note 11 supra). These provisions are of considerable practical importance and there are a number of decisions of the CFI interpreting them. See in particular Case T-334/01 *MFE Marienfelde Gmbh v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR II-2787, [2004] All ER (D) 125 (Jul), CFI; Case T-203/02 *Sunrider Corpn v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR II-2811, [2004] All ER (D) 129 (Jul), CFI (affd Case C-416/04P *Sunrider Corpn v Office for*

Harmonisation in the Internal Market (Trade Marks and Designs) [2006] ECR I-4267, [2006] All ER (D) 178 (May), ECJ); Case T-356/02 *Vitakraft-Werke Wuhrmann & Sohn GmbH & Co KG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR II-3445, [2004] All ER (D) 54 (Oct), CFI; Case T-303/03 *Lidl Stiftung & Co KG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2005] ECR II-1917, CFI. It should be noted that the Office takes a very exacting view indeed of what is required to prove use of a trade mark, and in particular that it considers that evidence in the form of an affidavit or witness statement by a representative of the proprietor is of little weight unless corroborated by independent evidence: see e g Case R 1075/2005–2 *Rodcraft Pneumatic Tools GmbH & Co KG v Rolson Tools Ltd* (8 June 2006, unreported), OHIM Board of Appeal; and c f *Rolson Tools Ltd's Trade Mark Application* (O/011/06), Appointed Person.

16 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 43(2), (3).

17 Ibid art 43(2), (3).

18 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 43(4).

19 Procedural provisions for oppositions are provided for by EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 rr 16–22 (rr 16–20, 22 substituted by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)). These provide inter alia for a two month 'cooling off period' once the opposition has been ascertained to be admissible: EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 r 19 (as so substituted). Oppositions are the responsibility of the Opposition Divisions of the Office: see para 182 ante. As to the general procedural provisions for proceedings in the Office see para 277 note 3 ante. The opposition division is not obliged to reject an opposition as unfounded where the opponent's grounds of opposition contain the essential information for assessing its objection, even if the explanation of those grounds has not been translated into the correct language: Case T-53/05 *Calavo Growers Inc v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2007] All ER (D) 80 (Jan), CFI.

20 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 43(5). The decision refusing the application must be published upon becoming final: art 43(6). If an opposition based upon several earlier trade marks or rights is upheld with regard to one such trade mark or right, the Office is not required to rule upon the remaining trade marks or rights: Case T-342/02 *Metro-Goldwyn-Mayer Lion Corpn v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR II-3191, [2004] All ER (D) 113 (Sep), CFI; Case R 497/2004–1 *Teletech Holdings Inc v Teletech International SA* (3 March 2005, unreported), OHIM Board of Appeal.

283. Registration and renewal. Where an application meets the prescribed requirements[1] and where no notice of opposition[2] has been given within the prescribed period[3], or where opposition has been rejected by a definitive decision[4], the trade mark must be registered[5] as a Community trade mark[6].

Community trade marks are registered for a period of ten years from the date of filing[7] of the application; and registration may be renewed[8] for further periods of ten years[9].

1 Ie the requirements of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark.

2 As to the notice of opposition see ibid art 42; and para 282 ante.

3 Ie the period referred to in ibid art 42(1): see para 282 ante.

4 As to the examination of the opposition see ibid art 43; and para 282 text and note 15 ante.

5 No definition of 'registered' is provided for by EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1), although that term is used extensively (c f the Trade Marks Act 1994 s 63(1): see para 19 note 2 ante). 'Registered' in the context of a Community trade mark must therefore mean registered in accordance with these provisions, in particular EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 45. As to the register of Community trade marks see para 188 ante.

6 Ibid art 45. The trade mark will only be registered provided that the registration fee has been paid within the period prescribed; if the fee is not paid within this period the application is deemed to be withdrawn: art 45. Further provision for registration is provided for by EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1)) implementing Council Regulation (EC) No 40/94 on the Community trade mark, art 1 rr 23–24 (r 24 amended by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)). For the meaning of 'Community trade mark' see para 206 ante.

7 As to the date of filing see para 278 note 23 ante.

8 Ie in accordance with the following provisions: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 46. The Office for Harmonisation in the Internal Market must inform the proprietor of the Community trade mark, and any person having a registered right in respect of the Community trade mark, of the expiry of the registration in good time before the said expiry; but failure to give such

information does not involve the responsibility of the Office: art 47(2). Registration of the Community trade mark must be renewed at the request of the proprietor of the trade mark or any person expressly authorised by him, provided that the fees have been paid: art 47(1). Renewal takes effect from the day following the date on which the existing registration expires; and the renewal must be registered: art 47(5). As to the Office see para 180 et seq ante.

The request for renewal must be submitted within a period of six months ending on the last day of the month in which protection ends; the fees must also be paid within this period; failing this, the request may be submitted and the fees paid within a further period of six months following the last day of the month in which protection ends, provided that an additional fee is paid within this further period: art 47(3). Where the request is submitted or the fees paid in respect of only some of the goods or services for which the Community trade mark is registered, registration must be renewed for those goods or services only: art 47(4).

Further procedural rules relating to notification of expiry and renewal are provided for by EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 rr 29, 30 (r 30 substituted by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)).

9 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 46.

(iii) Priority and Seniority

284. Right of priority. A person who has duly filed an application for a trade mark in or for any state party to the Paris Convention[1] or to the WTO Agreement[2], or his successors in title, enjoys, for the purpose of filing a Community trade mark[3] application for the same trade mark in respect of goods or services which are identical with or contained within those for which the application has been filed, a right of priority[4] during a period of six months from the date of filing of the first application[5].

Every filing that is equivalent to a regular national filing[6] under the national law of the state where it was made or under bilateral or multilateral agreements must be recognised as giving rise to a right of priority[7].

If the first filing has been made in a state which is not a party to the Paris Convention or the WTO Agreement, the provisions described above[8] apply only in so far as that state, according to published findings[9], grants, on the basis of a first filing made at the Office for Harmonisation in the Internal Market[10] and subject to equivalent conditions[11], a right of priority having equivalent effect[12].

An applicant desiring to take advantage of the priority of a previous application must file a declaration of priority and a copy of the previous application[13].

1 As to the Paris Convention see para 6 ante.
2 As to the WTO Agreement see para 7 ante.
3 For the meaning of 'Community trade mark' see para 206 ante.
4 As to the effect of the priority right see para 286 post.
5 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 29(1) (amended by EC Council Regulation 3288/94 (OJ L349, 31.12.94, p 83)). A subsequent application for a trade mark which was the subject of a previous first application in respect of the same goods or services, and which is filed in or in respect of the same state must be considered as the first application for the purposes of determining priority, provided that, at the date of filing of the subsequent application, the previous application has been withdrawn, abandoned or refused, without being open to public inspection and without leaving any rights outstanding, and has not served as a basis for claiming a right of priority; and the previous application may not thereafter serve as a basis for claiming a right of priority: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 29(4).
6 A regular national filing means any filing that is sufficient to establish the date on which the application was filed, whatever may be the outcome of the application: ibid art 29(3). As to filing an application under the Trade Marks Act 1994 see para 363 et seq post.
7 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 29(2).
8 Ie ibid art 29(1)–(4).
9 As to the publication of such findings see para 204 ante.
10 As to the Office see para 180 et seq ante.
11 Ie conditions equivalent to those laid down in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1).
12 Ibid art 29(5) (amended by EC Council Regulation 3288/94 (OJ L349, 31.12.94, p 83)).

13 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 30. If the language of the latter is not one of the languages of the Office, the applicant must file a translation of the previous application in one of those languages: art 30. As to the languages of the Office see para 185 ante. Further procedural requirements are laid down in EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark, art 1 r 6 (amended by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)).

285. Exhibition priority. If an applicant for a Community trade mark[1] has displayed goods or services under the mark applied for, at a recognised international exhibition[2], he may, if he files the application within a period of six months from the date of the first display of the goods or services under the mark applied for, claim a right of priority[3] from that date[4].

1 For the meaning of 'Community trade mark' see para 206 ante.
2 Ie an official or officially recognised international exhibition: (1) falling within the terms of the Convention relating to International Exhibitions (Paris, 22 November 1928; TS 9 (1931); Cmd 3776), as amended and supplemented by any Protocol to that Convention which is in force; or (2) falling within the terms of any subsequent treaty or convention replacing that Convention: Patents Act 1977 s 130(1). The Convention has been supplemented by Protocols, all signed at Paris, dated 10 May 1948 (TS 57 (1951); Cmd 8311), 16 November 1966 (TS 14 (1968); Cmnd 3557), and 30 November 1972 (Misc 14 (1973); Cmnd 5317), although the latest Protocol is not in force.
3 As to the effect of a right of priority see para 286 post.
4 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 33(1). Further procedural requirements are laid down in EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark, art 1 r 7. An applicant who wishes to claim priority pursuant to this provision must file evidence of the display of goods or services under the mark applied for under the conditions laid down in EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1): EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 33(2).

An exhibition priority granted in a member state or in a third country does not extend the period of priority laid down in art 29 (see para 284 ante): art 33(3).

286. Effect of priority right. The right of priority[1] has the effect that the date of priority counts as the date of filing of the Community trade mark application for the purposes of establishing which rights take precedence[2].

1 As to the claiming of a right of priority see EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, arts 29–30 (see para 284 ante), art 33 (see para 285 ante).
2 Ibid art 31. It is necessary to establish rights to priority for the purpose of resolving conflicts with other applications or with conflicting national rights such as those mentioned in art 8: see para 218 et seq ante.

287. Claiming the seniority of a national trade mark. The proprietor[1] of an earlier trade mark[2] registered in a member state[3], or registered under international arrangements having effect in a member state[4], who applies for an identical trade mark for registration as a Community trade mark[5] for goods or services which are identical with or contained within those for which the earlier trade mark has been registered, may claim for the Community trade mark the seniority[6] of the earlier trade mark in respect of the member state in or for which it is registered[7].

The proprietor of a Community trade mark who is the proprietor of an earlier identical[8] trade mark registered in a member state[9] or of an earlier identical trade mark with an international registration effective in a member state[10] for goods or services which are identical with those for which the earlier trade mark has been registered or contained within them may claim the seniority of the earlier trade mark in respect of the member state in or for which it is registered[11].

1 In this context the proprietor is the legal owner of the senior mark, whether or not he is also the registered proprietor: Case R 5/97–1 *BatMark Inc's Application* [1998] ETMR 448, OHIM Board of Appeal.
2 For the meaning of 'earlier trade mark' see para 218 ante.

3 Ie including a trade mark registered in the Benelux countries.
4 Ie such as international trade marks which are protected in member states pursuant to the Madrid Agreement or Madrid Protocol: see para 8 ante.
5 For the meaning of 'Community trade mark' see para 206 ante.
6 For the effect of seniority see para 288 post.
7 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 34(1). As to the procedure for the claiming of seniority see EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark, art 1 rr 8, 28 (both amended by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)).
8 In Case R-10/1998–2 *International Business Machines Corpn's Application* [1998] ETMR 642, OHIM Board of Appeal, it was held that THINKPAD was identical to THINK PAD for this purpose. This is consistent with the subsequent jurisprudence of the European Court of Justice as to the meaning of 'identical': see para 71 note 3 ante.
9 See note 3 supra.
10 See note 4 supra.
11 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 35(1) (substituted by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)). Thus seniority may be claimed either when the Community trade mark is applied for (i e under art 34(1): see the text and notes 1–7 supra) or at any time after registration (i e under art 35(1) (as substituted)). The right to claim the seniority of an earlier national trade mark continues to exist, without limitation of time, after the registration of the mark: see Case R 5/97–1 *BatMark Inc's Application* [1998] ETMR 448, OHIM Board of Appeal.

288. Effect of seniority. Seniority[1] has the sole effect that, where the proprietor of the Community trade mark[2] surrenders the earlier trade mark[3] or allows it to lapse, he is deemed to continue to have the same rights as he would have had if the earlier trade mark had continued to be registered[4].

Where the proprietor of a Community trade mark claims the seniority of a registered trade mark[5] which has been removed from the register[6] or has been surrendered[7], application may be made to the registrar[8] or to the court[9] by any person for a declaration that, if the registered trade mark had not been so removed or surrendered, it would have been liable to be revoked[10] or declared[11] invalid[12].

The seniority claimed for the Community trade mark lapses if the earlier trade mark the seniority of which is claimed is declared to have been revoked or to be invalid or if it is surrendered prior to the registration of the Community trade mark[13].

1 As to claiming seniority see para 287 ante.
2 For the meaning of 'Community trade mark' see para 206 ante.
3 Ie the trade mark upon which seniority is based: see para 287 ante.
4 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, arts 34(2), 35(2). See also Case R1219/2000–3 *Sara Lee/DE Espana SA v Health Products Ltd* (17 October 2001, unreported), OHIM Board of Appeal; *RAPIER Trade Mark* (O/170/07), Appointed Person.
5 Ie a trade mark registered under the Trade Marks Act 1994. As to the meaning of 'registered trade mark' see para 127 ante.
6 Ie under ibid s 43: see para 29 ante. As to the register (i e the register maintained pursuant to s 63) see para 19 ante.
7 Ie pursuant to ibid s 45: see para 395 ante.
8 As to the registrar see para 17 ante.
9 For the meaning of 'the court' see para 349 post.
10 Ie under the Trade Marks Act 1994 s 46: see para 114 et seq ante.
11 Ie under ibid s 47: see para 118 et seq ante.
12 Community Trade Mark Regulations 2006, SI 2006/1027, reg 3(1), (3). Application may likewise be made where such a proprietor claims the seniority of an international trade mark (UK) (see para 8 note 17 ante): reg 3(2). Where a registered trade mark has been surrendered in respect of some only of the goods or services for which it is registered, these provisions apply in relation to those goods or services: reg 3(5). An address for service (see para 357 post) must be filed by the person making the application and by the proprietor of the Community trade mark unless the registrar otherwise directs: reg 3(4). The Trade Mark Rules 2000, SI 2000/136, rr 31–37, 54–62, 67–69, 72 (see paras 354 et seq post and 398 et seq post) apply to such proceedings before the registrar with the necessary modifications: Community Trade Mark Regulations 2006, SI 2006/1027, reg 4(2).
13 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) arts 34(3), 35(2).

(iv) Proceedings relating to Revocation or Invalidity

289. Application for revocation or for a declaration of invalidity. An application for revocation[1] of the rights of the proprietor of a Community trade mark[2] or for a declaration that the trade mark is invalid[3] may be submitted[4] to the Office for Harmonisation in the Internal Market[5] by the following persons[6]:

(1) where the application is for revocation[7] or for a declaration of invalidity on absolute grounds[8], by any natural or legal person and any group or body set up for the purpose of representing the interests of manufacturers, producers, suppliers of services, traders or consumers, which under the terms of the law governing it has the capacity in its own name to sue and be sued[9];

(2) where the application is for a declaration of invalidity on relative grounds relating to an earlier trade mark or protected sign[10], by the relevant persons[11];

(3) where the application is for a declaration of invalidity on relative grounds relating to some other earlier right[12], by the owners of the earlier rights or by the persons who are entitled under the law of the member state concerned to exercise the rights in question[13].

The application must be filed in a written reasoned statement[14].

1 As to the grounds for revocation see paras 237–240 ante; and as to the additional grounds for revocation of a Community collective mark see para 300 post.
2 For the meaning of 'Community trade mark' see para 206 ante.
3 As to the grounds of invalidity see paras 243–245 ante; and as to the additional ground of invalidity of a Community collective mark see para 301 post.
4 An application for a declaration of invalidity may only be submitted after the Community trade mark has been entered on the register: Decision 89C/000317701/1 *Avensa SA v Mikkelson* (15 December 1999, unreported), OHIM Cancellation Division.
5 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 55(1). As to the Office see para 180 et seq ante. As to the procedure on such an application see para 290 post.
6 The list in the text is not exhaustive, because it does not indicate who may make an application for revocation of a Community collective mark on the additional ground specified in ibid art 71 (see para 300 post) or an application for a declaration of invalidity of a Community collective mark on the additional ground specified in art 72 (see para 301 post). Article 71 is similar in concept to art 50(1)(c) (mark liable to mislead in consequence of use: see para 240 ante), while art 72 is similar in concept to art 51 (registration granted in breach of absolute grounds: see para 243 ante); so perhaps they should both fall within head (1) in the text. An alternative view is that there is no restriction on who may bring an application under arts 71, 72.
7 Ie where ibid art 50 applies: see para 238 et seq ante.
8 Ie where ibid art 51 applies: see para 243 ante.
9 Ibid art 55(1)(a).
10 Ie where ibid art 52(1) applies: see para 244 ante.
11 Ibid art 55(1)(b). The relevant persons are those referred to in art 42(1) (see para 282 ante): art 55(1)(b). An earlier decision of the Office in opposition proceedings does not preclude a later application for a declaration of invalidity based on the same earlier trade marks or rights: Decision 337C/000510313/1 *Henkel KGaA v Gan* (1 August 2003, unreported), OHIM Cancellation Division. Where the earlier trade mark relied upon falls due for renewal during the cancellation proceedings, the onus is upon the applicant to file evidence that it has been renewed: Decision 58C/000743799/1 *MasterCard International Inc v Regent Associates Ltd* (31 January 2002, unreported), OHIM Cancellation Division.
12 Ie where EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 52(2) applies: see para 245 ante.
13 Ibid art 55(1)(c).
14 Ibid art 55(2). The application is not deemed to have been filed until the fee has been paid: art 55(2). An application for revocation or for a declaration of invalidity is inadmissible if an application relating to the same subject matter and cause of action, and involving the same parties, has been adjudicated on by a court in a member state and has acquired the authority of a final decision: art 55(3).

290. Examination of the application. The Office for Harmonisation in the Internal Market[1] may, if it thinks fit, invite the parties to make a friendly settlement[2]; otherwise it must examine and adjudicate upon the application[3].

If the proprietor of the Community trade mark[4] so requests,[5] the proprietor of an earlier Community trade mark or an earlier national trade mark[6] who is party to the proceedings must furnish proof that, during the period of five years preceding the date of an application for a declaration of invalidity[7], the earlier trade mark had been put to genuine use[8] in the Community[9] or in the member state in question, as the case may be, in connection with goods or services in respect of which it is registered and which he cites as justification for his application, or that there are proper reasons[10] for non-use, provided that the earlier trade mark has been registered for not less than five years[11]. If, at the date on which the Community trade mark application was published[12], the earlier trade mark had been registered for not less than five years, the proprietor of the earlier trade mark must furnish proof that, in addition, the specified conditions[13] were satisfied at that date[14]. In the absence of proof to that effect, the application must be rejected[15]. If the earlier trade mark has been used in relation to part only of the goods or services for which it is registered it is, for the purposes of the examination of the application, deemed to be registered in respect of only that part of the goods or services[16].

If the examination of the application for revocation of rights[17] or for a declaration of invalidity[18] reveals that the trade mark should not have been registered in respect of some or all of the goods or services for which it is registered[19], the rights of the proprietor of the Community trade mark must be revoked[20] or it must be declared invalid[21] in respect of those goods or services; otherwise the application for revocation of rights or for a declaration of invalidity must be rejected[22]. A record of the Office's decision on the application for revocation of rights or for a declaration of invalidity must be entered in the register[23] once it has become final[24].

1 As to the Office see para 180 et seq ante.

2 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 56(4).

3 Provision for examination of the application is made by ibid art 56; and by EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark, art 1 rr 37–41 (r 38 amended, and r 39 substituted, by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)). As to the general procedural provisions for proceedings in the Office see para 277 note 3 ante. Applications for revocation or for a declaration of invalidity are the responsibility of the Cancellation Divisions: see para 182 ante. If the application is withdrawn the proceedings will be terminated; there is no basis for the Office to consider the application ex officio: Decision 55C/000142158/1 *Groupe Sepcon SA v Ziff Davis Publishing Holdings Inc* (5 November 2001, unreported), OHIM Cancellation Division. If, however, the proprietor applies to surrender the Community trade mark, the proceedings must continue: Decision 69C/000670042/1 *Lancôme Parfums et Beauté & Cie's Application* [2001] ETMR 89, OHIM Cancellation Division.

4 For the meaning of 'Community trade mark' see para 206 ante.

5 It is presumed that the proprietor must make any such request within the period specified by the Office for making observations on the application: cf Case T-112/03 *L'Oréal SA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2005] ECR II-949, [2005] All ER (D) 267 (Mar), CFI; affd on other grounds Case C-235/05P *L'Oréal SA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] ECR I-57, ECJ.

6 This includes national trade marks which do not have to be used under national law because they are defensive registrations: Case T-194/03 *Il Ponte Finanziaria SpA* v *Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] ECR II-445, CFI. In the United Kingdom defensive registrations were abolished by the Trade Marks Act 1994 s 46(1)(a) (see para 114 text and note 9 ante), and it is questionable whether they are consistent with EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the law of the member states relating to trade marks.

7 Ie where the application is based on relative grounds (as to which see para 218 et seq ante).

8 As to genuine use see para 114 note 6 ante.

9 As to the meaning of 'in the Community' see para 237 note 5 ante.

10 As to the meaning of 'proper reasons' see para 114 note 10 ante.

11 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 56(2). Use does not have to be proved if the five year period expires during the course of the cancellation proceedings: Decision 336C/000633214/1 *Parfums Givenchy SA v Flotique NV* (27 October 2003, unreported), OHIM Cancellation Division. As to the procedure to be followed in the event of a request for proof of use, and the nature and form that

evidence of use must take, see EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) art 1 rr 22(3), (4), 40(6) (all substituted by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)). See also para 282 note 15 ante.

12 As to publication see para 190 ante.

13 Ie those in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 43(2): see para 282 ante.

14 Ibid art 56(2). In such a case the applicant must prove use in both periods: Decision 332C/000208686/1 *Gorina & Sauquet SA v Performance Sailcraft Europe Ltd* (11 November 2003, unreported), OHIM Cancellation Division; Case R 627/2003–2 *McDonald's International Property Co Ltd v Andros Food SA* (5 July 2004, unreported), OHIM Board of Appeal.

15 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 56(2).

16 Ibid art 56(2).

17 As to the grounds for revocation see paras 237–240 ante; and as to the additional grounds for revocation of a Community collective mark see para 300 post.

18 As to the grounds of invalidity see paras 243–245 ante; and as to the additional ground of invalidity of a Community collective mark see para 301 post.

19 Presumably there should be read into this part of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 56(5) words to the effect of 'or that the trade mark should be revoked', since revocation relates to events which occur after a registration: ex hypothesi, the trade mark was rightly registered but should now be revoked. See further paras 235, 237 et seq ante.

20 As to the date from which revocation takes effect see para 242 ante.

21 As to the effect of a declaration of invalidity see para 247 ante.

22 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 56(5).

23 As to the register see para 188 ante.

24 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 56(6) (substituted by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)).

(v) Appeals

291. Appeals to the Board of Appeal. An appeal lies from decisions[1] of the examiners[2], the Opposition Divisions[3], the Administration of Trade Marks and Designs and Legal Division[4], and the Cancellation Divisions[5]. It has suspensive effect[6].

Any party to proceedings adversely affected by a decision may appeal; and any other parties to the proceedings are parties to the appeal proceedings as of right[7].

Notice of appeal must be filed in writing at the Office for Harmonisation in the Internal Market[8] within two months after the date of notification of the decision appealed from[9]. Within four months after the date of notification of the decision, a written statement setting out the grounds of appeal must be filed[10].

1 A decision which does not terminate proceedings as regards one of the parties can only be appealed together with the final decision, unless the decision allows separate appeal: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 57(2).

2 As to the examiners see para 182 ante.

3 As to the Opposition Divisions see para 182 ante.

4 As to the Administration of Trade Marks and Designs and Legal Division see para 182 ante.

5 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 57(1). As to the Cancellation Divisions see para 182 ante.

6 Ibid art 57(1).

7 Ibid art 58.

8 As to the Office see para 180 et seq ante.

9 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 59. As to the form and content of a notice of appeal see EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark, art 1 r 48.

The notice is deemed to have been filed only when the fee for appeal has been paid: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 59. As to fees see para 184 ante.

10 Ibid art 59. Failure to file a written statement of grounds of appeal is fatal to the admissibility of the appeal: Case T-71/02 *Classen Holding KG v Office for Harmonisation of the Internal Market* [2003] ECR II-3181, [2003] All ER (D) 109 (Sep), CFI.

292. Revision of decisions. If the party which has lodged the appeal is the sole party to the proceedings, and if the department whose decision is contested considers

the appeal to be admissible and well founded, the department must rectify its decision[1]. If the decision is not rectified within one month after receipt of the statement of grounds, the appeal must be remitted to the Board of Appeal[2] without delay and without comment as to its merit[3].

Where the party which had lodged the appeal is opposed by another party and if the department whose decision is contested considers the appeal to be admissible and well founded, the department must rectify its decision[4]. The decision may only be rectified if the department whose decision is contested notifies the other party of its intention to rectify it and that party accepts it within two months of the date on which it received the notification[5]. If within two months of receiving such notification the other party does not accept that the contested decision is to be rectified and makes a declaration to that effect or does not make any declaration within the period laid down, the appeal must be remitted to the Board of Appeal without delay and without comment as to its merit[6]. If the department whose decision is contested does not consider the appeal to be admissible and well founded within one month after receipt of the statement of grounds, it must remit the appeal to the Board of Appeal without delay and without comment as to its merit[7].

1 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 60(1) (art 60 substituted by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)). These provisions provide for a system of so-called 'interlocutory revision' similar to that operated by the European Patent Office which enables first instance departments to change their minds, thereby short-circuiting an appeal.
2 As to appeals to the Board of Appeal see para 291 ante.
3 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 60(2) (as substituted: see note 1 supra).
4 Ibid art 60a(1) (art 60a added by EC Council Regulation 422/2004 (OJ L70, 9.3.04, p 1)).
5 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 60a(2) (as added: see note 4 supra).
6 Ibid art 60a(3) (as added: see note 4 supra).
7 Ibid art 60a(4) (as added: see note 4 supra).

293. Examination of, and decisions in respect of, appeals. Provision is made for the consideration of and adjudication upon appeals by the Board of Appeal[1]. There is also a further regulation laying down the rules of procedure of the Boards of Appeal[2].

1 Ie in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, arts 61, 62; EC Commission Regulation 2868/95 implementing Council Regulation (EC) No 40/94 on the Community trade mark, art 1 rr 49–51 (r 50 amended, and r 51 substituted, by EC Commission Regulation 1041/2005 (OJ L172, 5.7.05, p 4)).

As to the Board of Appeal see para 182 ante; and as to the general procedural provisions for proceedings in the Office see para 277 note 3 ante.

There is a continuity of function between the first instance departments and the Boards of Appeal and therefore the Board of Appeal must re-examine the first instance decision: Case C-29/05P *Office for Harmonisation in the Internal Market (Trade Marks and Designs) v Kaul GmbH* [2007] All ER (D) 226 (Mar), ECJ; Case T-163/98 *Procter & Gamble Co v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [1999] ECR II-2383, [1999] All ER (EC) 648 (revsd on other grounds Case C-383/99P *Procter & Gamble Co v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2002] Ch 82, [2001] ECR I-6251, ECJ); Case T-63/01 *Procter and Gamble v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2002] ECR II-5255, (2002) Times, 28 December, CFI; Case T-308/01 *Henkel KGaA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2003] ECR II-3253, [2003] All ER (D) 155 (Sep), CFI (affd on other grounds Joined Cases C-456/01P and C-457/01P *Henkel KGaA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR I-5089, [2005] IP & T 1, ECJ). The Board of Appeal has a discretion as to whether or not to take into account facts or evidence which have not been submitted at first instance: Case C-29/05P *Office for Harmonisation in the Internal Market (Trade Marks and Designs) v Kaul GmbH* supra. The Board of Appeal must consider all the appellant's arguments, even if not raised below: Case T-163/98 *Procter & Gamble Co v Office for Harmonisation in the Internal Market* supra. The Board of Appeal must also consider of its own motion all relevant matters of law and fact even if not raised by a specific ground of appeal: Case T-308/01 *Henkel KGaA v Office for Harmonisation in the Internal Market* supra. On an appeal from the examiner the Board of Appeal is entitled to raise a ground of refusal which had not been raised at first instance: Case T-122/99 *Procter and Gamble v Office for Harmonisation in the Internal Market (Trade Marks and*

Designs) [2000] ECR II-265, [2000] 2 CMLR 303, CFI. Where the appellant has missed a time limit at first instance, the Board of Appeal is entitled, but not obliged, to dismiss the appeal on the same ground: Case T-112/03 *L'Oréal SA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2005] ECR II-949, [2005] All ER (D) 267 (Mar), CFI; affd on other grounds Case C-235/05P *L'Oréal SA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] ECR I-57, ECJ.

2 See EC Commission Regulation 216/96 (OJ L28, 6.2.1996, p 11) laying down the rules of procedure of the Boards of Appeal of the Office for Harmonisation in the Internal Market.

294. Appeals to the European Court of First Instance and Court of Justice. Actions may be brought[1] before the European Court of Justice against decisions of the Boards of Appeal[2] on appeals[3]. Such actions are brought in the Court of First Instance which is attached to the Court of Justice[4]. A further appeal lies from the Court of First Instance to the Court of Justice itself on points of law[5].

The action may be brought on grounds of lack of competence, infringement of an essential procedural requirement, infringement of the EC Treaty, of the Community Trade Mark Regulation or of any rule of law relating to their application or misuse of power[6].

The Court of First Instance or the Court of Justice has jurisdiction to annul or to alter the contested decision[7].

1 The action is open to any party to proceedings before the Board of Appeal adversely affected by its decision: EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark (the 'Community Trade Mark Regulation') art 63(4). Where the applicant is appealing against a decision of the Board of Appeal the primary defendant is the Office for Harmonisation in the Internal Market even in inter partes disputes, although the other party may intervene to support the Board of Appeal's decision. As to the Office see para 180 et seq ante.

2 As to the Board of Appeal see para 182 ante.

3 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 63(1). As to appeals to the Board of Appeal see para 291 ante. The action must be brought before the European Court of Justice within two months of the date of notification of the decision of the Board of Appeal: art 63(5).

4 Treaty Establishing the European Community (Rome, 25 March 1957; TS 1 (1973); Cmnd 5179) (the 'EC Treaty') art 225 (formerly art 168a; renumbered by virtue of the Treaty of Amsterdam: see *Treaty Citation (No 2) (Note)* [1999] All ER (EC) 646, ECJ); EEC/ECSC/Euratom Council Decision 88/591 (OJ L319, 25.11.88, p 1) establishing a Court of First Instance of the European Communities, art 5. The rules of procedure of the Court of First Instance (OJ L136, 30.5.91, p 1) have been amended to make provision for proceedings arising from the Office for Harmonisation in the Internal Market (OJ L172, 22.7.95, p 3), adding arts 130–136. Only independent lawyers authorised to practice before the court of a member state may represent parties before the Court of First Instance and European Court of Justice: Case T-79/99 *Euro-lex European Law Expertise GmbH v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [1999] ECR II-3555, CFI; Case T-315/03 *Wilfer v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2005] ECR II-1981, CFI; Case T-123/04 *Cargo Partner AG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] ECR II-3979, [2006] ETMR 35, CFI.

5 EC Treaty art 225(1) (as renumbered: see note 4 supra). Since the Court of First Instance has exclusive jurisdiction to assess the evidence and find the facts, these matters do not form a point of law subject to review by the Court of Justice unless the Court of First Instance has distorted the evidence: Case C-104/00 *DKV Deutsche Krankenversicherung AG v Office for Harmonisation in the Internal Market* [2002] ECR I-7561, [2002] All ER (D) 100 (Sep), ECJ; Case C-37/03P *BioID AG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2005] ECR I-7975, ECJ; Case C-214/05P *Sergio Rossi SpA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] ECR I-7057, ECJ.

6 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 63(2). The Court of First Instance may annul or alter a decision of the Board of Appeal only if, at the time the decision was adopted, it was vitiated by one of these grounds; it may not annul or alter a decision on grounds which come into existence subsequently: Case C-416/04P *Sunrider Corpn v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] ECR I-4237, [2006] All ER (D) 178 (May), ECJ; Case C-29/05P *Office for Harmonisation in the Internal Market (Trade Marks and Designs) v Kaul GmbH* [2007] All ER (D) 226 (Mar), ECJ. The purpose of appeals to the Court of First Instance is to review the legality of decisions of the Boards of Appeal, and not to re-examine the facts in the light of documents produced for the first time before it; accordingly new evidence is not admissible on such appeals: Case C-214/05P *Sergio Rossi SpA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] ECR I-7057, ECJ; Case

C-29/05P *Office for Harmonisation in the Internal Market (Trade Marks and Designs) v Kaul GmbH* supra. On appeal to the Court of First Instance, the Office for Harmonisation in the Internal Market is not obliged to defend the Board of Appeal's decision, but it cannot seek forms of order annulling or altering the decision of the Board of Appeal on a point not raised by the appeal or put forward pleas not raised in the appeal: Case C-106/03 *Vedial SA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2005] ECR I-9573, ECJ; Case T-107/02 *GE Betz Inc v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR II-1845, [2004] All ER (D) 360 (Jun), CFI; Case T-379/03 *Peek & Cloppenburg KG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] ECR II-4633, sub nom *Peek & Cloppenburg's Application* [2006] ETMR 33, CFI. The Office for Harmonisation in the Internal Market is entitled to depart from the reasoning of the Board of Appeal provided that its arguments do not amount to new grounds for annulment of the decision: Case T-6/05 *DEF-TEC Defense Technology GmbH v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2006] All ER (D) 23 (Sep), CFI.

7 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 63(3). The Office for Harmonisation in the Internal Market must take the necessary measures to comply with the judgment of the Court of First Instance or the European Court of Justice: art 63(6); and see Case T-163/98 *Procter & Gamble Co v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [1999] ECR II-2383, [1999] ETMR 767, CFI. The appellant or intervener cannot request the court to, for example, direct the Office for Harmonisation in the Internal Market to declare the trade mark in suit invalid: Case T-331/99 *Mitsubishi Hi'Tec Paper Bielefeld GmbH v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2001] ECR II-433, [2001] IP & T 459, CFI; Case T-34/00 *Eurocool Logistik GmbH v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2002] ECR II-683, [2002] IP & T 756, CFI; Case T-129/01 *Alejandro v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2003] ECR II-2251, CFI; Joined Cases T-160/02 to T-162/02 *Naipes Heraclio Fournier SA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2005] ECR II-1634, [2005] All ER (D) 136 (May), CFI.

(9) COMMUNITY COLLECTIVE MARKS

(i) In general

295. Introduction. A Community collective mark is a Community trade mark[1] which is described as such when the mark is applied for[2] and is capable of distinguishing the goods or services of the members of the association which is the proprietor of the mark from those of other undertakings[3].

Associations of manufacturers, producers, suppliers of services, or traders which, under the terms of the law governing them, have the capacity in their own name to have rights and obligations of all kinds, to make contracts or accomplish other legal acts and to sue and be sued, as well as legal persons governed by public law, may apply for Community collective marks[4].

The provisions of the Community Trade Mark Regulation[5] apply to Community collective marks, unless it provides[6] otherwise[7].

1 For the meaning of 'Community trade mark' see para 206 ante.
2 As to applications for Community trade marks see paras 278–283 ante.
3 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 64(1). The rules contained in EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark, art 1, apply to Community collective marks, subject to r 43 (see para 298 note 4 post).
4 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 64(1).
5 Ie EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1).
6 Ie by ibid arts 65–72: see para 297 et seq post.
7 Ibid art 64(3).

296. Geographical indications. In derogation from the relevant provision[1], signs or indications which may serve, in trade, to designate the geographical origin of the goods or services may constitute Community collective marks[2].

A collective mark does not entitle the proprietor to prohibit a third party from using in the course of trade such signs or indications, provided he uses them in accordance

with honest practices in industrial or commercial matters[3]; in particular, such a mark may not be invoked against a third party who is entitled to use a geographical name[4].

1 Ie EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 7(1)(c): see para 211 ante.
2 Ibid art 64(2). In the case of such a mark, the regulations governing use (see para 298 post) must authorise any person whose goods or services originate in the geographical area concerned to become a member of the association which is the proprietor of the mark: see art 65(2); and para 298 note 3 post. For the meaning of 'Community collective mark' see para 295 ante. As to protected designations of origin, protected geographical indications and traditional specialities guaranteed see para 302 post.
3 As to the meaning of 'honest practices in industrial or commercial matters' see para 96 ante.
4 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 64(2).

297. Application for a Community collective mark. In addition to the grounds provided for refusal of a Community trade mark application[1], an application for a Community collective mark[2] must be refused:

(1) where the additional provisions relating to Community collective marks[3] are not satisfied[4];
(2) where the regulations governing use[5] are contrary to public policy or to accepted principles of morality[6]; or
(3) if the public is liable to be misled as regards the character or the significance of the mark, in particular if it is likely to be taken to be something other than a collective mark[7].

Apart from the general rules on observations by third parties[8], any person, group or body referred to in those general rules may submit to the Office for Harmonisation in the Internal Market[9] written observations based on the particular grounds on which the application for a Community collective mark should be refused[10].

1 Ie EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, arts 36, 38: see para 279 ante.
2 For the meaning of 'Community collective mark' see para 295 ante.
3 Ie EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 64 (see paras 295–296 ante) or art 65 (see para 298 post).
4 Ibid art 66(1).
5 As to the regulations governing the use of a Community collective mark see para 298 post.
6 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 66(1).
7 Ibid art 66(2). An application must not be refused if the applicant, as a result of amendment of the regulations governing use, meets the requirements of art 66(1), (2): art 66(3).
8 Ie the cases mentioned in ibid art 41: see para 279 ante.
9 As to the Office see para 180 et seq ante.
10 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 67.

(ii) Regulations

298. Regulations governing use of a Community collective mark. An applicant for a Community collective mark[1] must submit regulations governing its use within the prescribed period[2]. Such regulations must specify: (1) the persons authorised to use the mark; (2) the conditions of membership of the association[3]; and (3) where they exist, the conditions of use of the mark including sanctions[4].

The proprietor of a Community collective mark must submit to the Office for Harmonisation in the Internal Market[5] any amended regulations governing use[6]. The amendment must not be mentioned in the register[7] if the amended regulations do not satisfy the relevant[8] requirements[9].

For these purposes[10], amendments to the regulations governing use take effect only from the date of entry of the mention of the amendment in the register[11].

1 For the meaning of 'Community collective mark' see para 295 ante.

2 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 65(1).
3 The regulations governing use of a mark as a sign or indication which may serve, in trade, to designate the geographical origin of the goods or services (i e a mark referred to in ibid art 64(2): see para 296 ante) must authorise any person whose goods or services originate in the geographical area concerned to become a member of the association which is the proprietor of the mark: art 65(2).
4 Ibid art 65(2). As to what the regulations must specify see EC Commission Regulation 2868/95 (OJ L303, 15.12.95, p 1) implementing Council Regulation (EC) No 40/94 on the Community trade mark, art 1 r 43.
5 As to the Office see para 180 et seq ante.
6 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 69(1). The provisions permitting observations by third parties (i e art 67: see para 297 ante) apply to amended regulations governing use: art 69(3).
7 As to the register see para 188 ante.
8 Ie the requirements of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 65 (see the text and notes 1–4 supra) or the grounds for refusal referred to in art 66 (see para 297 ante).
9 Ibid art 69(2).
10 Ie for the purposes of applying EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1).
11 Ibid art 69(4).

(iii) Infringement, Revocation and Invalidity

299. Persons who are entitled to bring an action for infringement of a Community collective mark. The provisions concerning the rights of licensees[1] apply to every person who has authority to use a Community collective mark[2].

The proprietor of a Community collective mark is entitled to claim compensation on behalf of persons who have authority to use the mark where they have sustained damage in consequence of unauthorised use of the mark[3].

1 Ie EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 22(3), (4): see para 275 ante.
2 Ibid art 70(1). For the meaning of 'Community collective mark' see para 295 ante.
3 Ibid art 70(2). For the grounds on which an infringement action may be brought see para 224 et seq ante. As to the procedural and jurisdictional issues concerning infringement actions see para 250 et seq ante.

300. Revocation of a Community collective mark. Apart from the grounds provided for revocation[1], the rights of the proprietor of a Community collective mark[2] must be revoked[3] on application to the Office for Harmonisation in the Internal Market[4] or on the basis of a counterclaim[5] in infringement proceedings[6], if:

(1) the proprietor does not take reasonable steps to prevent the mark being used in a manner incompatible with the conditions of use, where these exist, laid down in the regulations governing use[7], amendments to which have, where appropriate, been mentioned in the register[8];
(2) the manner in which the mark has been used by the proprietor has caused it to become liable to mislead the public[9];
(3) an amendment to the regulations governing use of the mark has been mentioned in the register in breach of the relevant provisions[10], unless the proprietor of the mark, by further amending the regulations governing use, complies with the requirements of those provisions[11].

1 Ie in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 50: see para 237 et seq ante. One of the grounds provided for revocation of a Community trade mark is non-use: see art 50(1)(a); and para 238 ante. It is provided that use of a Community collective mark by any person who has authority to use it satisfies the requirements of EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1), provided that the other conditions imposed with regard to the use of Community trade marks are fulfilled: art 68.
2 For the meaning of 'Community collective mark' see para 295 ante.
3 As to the date from which revocation takes effect see para 242 ante.

4 As to the Office see para 180 et seq ante. As to bringing an application for revocation in the Office see paras 289–290 ante.
5 As to bringing an application for revocation by way of counterclaim see para 261 et seq ante.
6 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 71.
7 As to the regulations governing use see para 298 ante.
8 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 71(a). As to the register see para 188 ante.
9 Ibid art 71(b), which refers to art 66(2): see para 297 ante. Head (2) in the text will overlap with the ground for revocation provided for by art 50(1)(c) (see para 240 ante).
10 Ie ibid art 69(2): see para 298 ante.
11 Ibid art 71(c).

301. Invalidity of a Community collective mark. Apart from the grounds provided for a declaration of invalidity[1], a Community collective mark[2] which is registered in breach of the requirements for registration as a Community collective mark[3] must be declared invalid[4] on application to the Office for Harmonisation in the Internal Market[5] or on the basis of a counterclaim[6] in infringement proceedings, unless the proprietor of the mark, by amending the regulations governing use[7], complies with the requirements of those provisions[8].

1 Ie in EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, arts 51, 52: see para 243 et seq ante.
2 For the meaning of 'Community collective mark' see para 295 ante.
3 Ie EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 66: see para 297 ante.
4 As to the effect of a declaration of invalidity see para 247 ante.
5 As to the Office see para 180 et seq ante. As to bringing an application for a declaration of invalidity in the Office see paras 289–290 ante.
6 As to bringing an application for a declaration of invalidity by way of counterclaim see para 261 et seq ante.
7 As to the regulations governing use see para 298 ante.
8 EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) art 72.

(10) PROTECTED DESIGNATIONS OF ORIGIN, PROTECTED GEOGRAPHICAL INDICATIONS AND TRADITIONAL SPECIALITIES GUARANTEED

302. In general. There is no provision for Community certification marks as distinct from Community collective marks[1]. Instead, European Community law provides for three types of protection[2] for the names of foods and agricultural products which denote foods and agricultural products made in a particular region or in a traditional way, namely:

(1) a protected designation of origin ('PDO')[3];
(2) a protected geographical indication ('PGI)[4]; and
(3) a traditional speciality guaranteed ('TSG'), formerly known as a certificate of specific character ('CSC')[5].

These forms of protection are distinct from trade marks[6] although there are certain similarities[7].

1 By contrast the Trade Marks Act 1994 provides for both collective marks (see para 155 et seq ante) and certification marks (see para 165 et seq ante). For the meaning of 'Community collective mark' see para 295 ante. Signs which may serve in trade to designate the geographical origin of the goods or services may constitute Community collective marks: see para 296 ante.
2 In addition to these three general types of protection, there are various regimes for the protection of names of specific products: see eg EC Council Regulation 1493/99 (OJ L179, 14.7.99, p 1) on the common organisation of the market in wine, arts 47–53, Annex VII (amended by EC Council Regulation 2585/2001 (OJ L345, 29.12.01, p 10); and by EC Council Regulation 2165/2005 (OJ L345, 28.12.05, p 1)) and EC Council Regulation 1493/99 (OJ L179, 14.7.99, p 1) Annex VIII (amended by EC Council Regulation 2165/2005 (OJ L345, 28.12.05, p 1)), which implement the Agreement on

Trade-Related Aspects of Intellectual Property ('TRIPs') (1994) (Cm 2557) art 23. As to TRIPs see para 7 ante. Such legislation may require certain names to be used as well as prohibiting others: see *Antonio Munoz Y Cia SA v Frumar Ltd* [1999] 3 CMLR 684, [1999] FSR 872 (grape varieties). As to the relationship between trade marks and such legislation see Case C-303/97 *Verbraucherschutzverein EV v Sektkellerei GC Kessler GmbH & Co* [1999] ECR I-513, [1999] 1 CMLR 756, ECJ; *MEZZACORONA Trade Mark* [2003] EWCA Civ 1861, [2004] RPC 537, sub nom *Miguel Torres SA v Cantine Mezzacorona SCARL* [2003] All ER (D) 407 (Dec).

3 See EC Council Regulation 510/2006 (OJ L93, 31.3.06, p 12) on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, which implements TRIPs arts 22, 24. Since the Regulation has direct effect it creates rights which individuals may rely upon against other individuals before national courts, subject to the requirement of legal certainty: C-108/01 *Consorzio del Prosciutto di Parma v Asda Stores Ltd* [2003] ECR I-5121, [2003] 2 CMLR 639, ECJ.

4 See EC Council Regulation 510/2006 (OJ L93, 31.3.06, p 12).

5 See EC Council Regulation 509/2006 (OJ L93, 31.3.06, p 1) on agricultural products and foodstuffs as traditional specialities guaranteed.

6 As to these forms of protection see FOOD vol 18(2) (Reissue) para 417 et seq.

7 PDOs and PGIs fall within the definition of 'industrial property' in the Paris Convention art 1 and the ECJ has held that they constitute 'industrial and commercial property' (i e intellectual property) rights when analysing the compatability of the legislation with the Treaty Establishing the European Community (Rome, 25 March 1957; TS 1 (1973); Cmnd 5179) (the 'EC Treaty') art 29: Case C-469/00 *Ravil SARL v Bellon Import SARL* [2003] ECR I-5053, [2003] All ER (D) 296 (May), ECJ; C-108/01 *Consorzio del Prosciutto di Parma v Asda Stores Ltd* [2003] ECR I-5121, [2003] 2 CMLR 639, ECJ. As to the Paris Convention see para 6 ante.

303. Relationship between trade marks, designations of origin and geographical indications. A designation of origin or geographical indication must not be registered[1] where, in the light of a trade mark's reputation and renown and the length of time it has been used, registration is liable to mislead the consumer as to the true identity of the product[2].

Registration of a designation of origin or geographical indication may be objected to if the objector shows that the registration of the name proposed would jeopardise the existence of an entirely or partly identical name or of a trade mark or the existence of products which have been legally on the market for at least five years preceding the publication of the application for registration[3].

Where a designation of origin or geographical indication is registered, an application for registration of a trade mark corresponding to one of the protected situations[4] and relating to the same class of product must be refused if the application for registration of the trade mark is submitted after the date of submission of the application for registration of the designation of origin or geographical indication[5]. Trade marks registered in breach of this provision must be declared invalid[6].

A trade mark the use of which corresponds to one of the protected situations[7] which has been applied for, registered or established by use, if that possibility is provided for by the legislation concerned[8], in good faith[9] within the territory of the Community before either the date of protection of the designation of origin or geographical indication or 1 January 1996 may continue to be used notwithstanding the registration of a designation of origin or geographical indication provided that no grounds for its invalidity or revocation exist as specified by the Trade Marks Directive[10] or the Community Trade Mark Regulation[11].

1 Ie under EC Council Regulation 510/2006 (OJ L93, 31.3.06, p 12) on the protection of geographical indications and designations of origin for agricultural products and foodstuffs.

2 Ibid art 3(4).

3 Ibid art 7(3)(c). Publication is provided for under art 6(2): art 7(3)(c).

4 Ie under ibid art 13. Registered names are protected against: (1) any direct or indirect commercial use of a registered name in respect of products not covered by the registration in so far as those products are comparable to the products registered under that name or in so far as using the name exploits the reputation of the protected name; (2) any misuse, imitation or evocation, even if the true origin of the

product is indicated or if the protected name is translated or accompanied by any expression such as 'style', 'type', 'method', 'as produced in', 'imitation' or similar; (3) any other false or misleading indication as to the provenance, origin, nature or essential qualities of the product, on the inner or outer packaging, advertising material or documents relating to the product concerned, and the packing of the product in a container liable to convey a false impression as to its origin; (4) any other practice liable to mislead the consumer as to the true origin of the product: art 13.

'Evocation' of a protected designation within head (2) supra covers a situation where the term used to designate a product incorporates part of a protected designation, so that when a consumer is confronted with the name of the product, the image triggered in his mind is that of the product whose designation is protected; it is possible for a protected designation to be evoked where there is no likelihood of confusion between the products concerned: Case C-87/97 *Consorzio per la Tutela del Formaggio Gorgonzola v Käserei Champignon Hofmeister GmbH & Co KG* [1999] ECR I-1301, [1999] 1 CMLR 1203, ECJ (CAMBOZOLA for a soft blue cheese evoked GORGONZOLA).

5 EC Council Regulation 510/2006 (OJ L93, 31.3.06, p 12) art 14(1). See also para 217 ante.

6 Ibid art 14(1).

7 See ibid art 13; and note 4 supra.

8 It would appear that this would cover the law of passing off, which is provided for by the Trade Marks Act 1994 s 2(2): see para 416 post. As to passing off see para 304 et seq post.

9 The concept of good faith must be viewed in the light of the entire body of legislation, both national and international, in force at the time when the application for registration of the trade mark was lodged; in principle the proprietor of the trade mark cannot benefit from a presumption of good faith if the legislation in force at the material time clearly precluded acceptance of his registration: Case C-87/97 *Consorzio per la Tutela del Formaggio Gorgonzola v Käserei Champignon Hofmeister GmbH & Co KG* [1999] ECR I-1301, [1999] 1 CMLR 1203, ECJ.

10 Ie EC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks. As to the grounds of invalidity or revocation under the provisions of the Trade Marks Act 1994 corresponding to the relevant provisions of EC Council Directive 89/104 (OJ L40, 11.2.89, p 1) see para 114 et seq ante.

11 EC Council Regulation 510/2006 (OJ L93, 31.3.06, p 12) art 14(2). The Community Trade Mark Regulation is EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark. As to the grounds of invalidity or revocation under the Community Trade Mark Regulation see para 237 et seq ante.

4. PASSING OFF

(1) THE ELEMENTS OF PASSING OFF

(i) Introduction

304. Elements of the action for passing off. The necessary elements of the action for passing off have been restated by the House of Lords[1] as being three in number:

(1) that the claimant's goods or services have acquired a goodwill in the market and are known by some distinguishing name, mark or other indicium;
(2) that there is a misrepresentation by the defendant (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by the defendant are goods or services of the claimant; and
(3) that the claimant has suffered or is likely to suffer damage as a result of the erroneous belief engendered by the defendant's misrepresentation[2].

The restatement of the elements of passing off in the form of this classical trinity[3] has been preferred as providing greater assistance in analysis and decision than the formulation of the elements of the action previously expressed by the House[4]. This latest statement, like the House's previous statements, should not, however, be treated as akin to a statutory definition or as if the words used by the House constitute an exhaustive, literal definition of 'passing off'[5], and in particular should not be used to exclude from the ambit of the tort recognised forms of the action for passing off which were not under consideration on the facts before the House[6].

1 See note 3 infra.
2 *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 All ER 873 at 880, [1990] 1 WLR 491 at 499, [1990] RPC 341 at 406, HL, per Lord Oliver of Aylmerton, and at 889, 510 and 417 per Lord Jauncey of Tullichettle ('Jif Lemon').
3 It was described as the 'classical trinity' in *Consorzio del Prosciutto di Parma v Marks & Spencer plc* [1991] RPC 351 at 368–369, CA, per Nourse LJ ('Parma ham'). See also *County Sound plc v Ocean Sound plc* [1991] FSR 367 at 372, CA, per Nourse LJ.
4 Ie in *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] AC 731, [1979] 2 All ER 927, [1980] RPC 31, HL ('Advocaat'), where Lord Diplock at 742, 932–933 and 93 and Lord Fraser of Tullybelton at 755–756, 943–944 and 105–106 each formulated the elements of the action in markedly differing terms, with the remaining three members of the House agreeing with both Lord Diplock and Lord Fraser of Tullybelton.
5 *My Kinda Bones Ltd v Dr Pepper's Stove Co Ltd* [1984] FSR 289. As to the dangers of treating speeches in the House of Lords as if they were statutory definitions see *Cassell & Co Ltd v Broome* [1972] AC 1027 at 1085, [1972] 1 All ER 801 at 836, HL, per Lord Reid.
6 *Bristol Conservatories Ltd v Conservatories Custom Built Ltd* [1989] RPC 455 at 466, CA, per Ralph Gibson LJ (a case of 'reverse' passing off: see para 320 post); *Chelsea Man Menswear Ltd v Chelsea Girl Ltd* [1987] RPC 189 at 206, CA, per Slade LJ (where the misrepresentation was to suppliers rather than to customers).

305. History and legal nature of the action for passing off. The action for passing off may have been recognised at common law as long ago as during the reign of Elizabeth I[1]. It seems that the action for passing off at common law originally grew out of the action for deceit, and, like the action for deceit, required a false representation made fraudulently, but differed from it in that the persons deceived were the plaintiff's customers rather than the plaintiff himself[2]. The action at common law was extended to cases where the defendant's customers were not themselves deceived but the defendant sold fraudulently marked goods to retail dealers with the express purpose of the goods being resold to ultimate purchasers as the plaintiff's goods[3]. Although at first equity followed the common law in requiring fraudulent intent on the part of the defendant[4],

it was later accepted that an injunction could be granted in equity in the absence of intention to deceive if the defendant's actions would in fact result in deception[5]. It was soon accepted, both at law[6] and in equity[7], that it was unnecessary that the goods passed off had to be inferior to the plaintiff's[8].

Equity's willingness to protect the exclusive right to use a trade name or mark even in the absence of fraud was recognised as being based on a right of property, by contrast with the purely personal right to relief at law based on fraud[9]. Equity came to recognise and develop an exclusive property in a trade mark applied to goods acquired by first public use of the mark, which was distinct from the action for passing off founded on misrepresentation; these so-called 'unregistered trade marks' have been superseded by the statutory registration of trade marks and can no longer be enforced, but this does not affect rights of action for passing off[10]. The common law courts maintained the requirement that fraudulent intent had to be proved in an action for passing off until the fusion of the courts of common law and equity[11], and subsequent judicial observations have maintained that passing off in the absence of fraudulent intent is actionable in equity only[12]. Although the practical consequences of this distinction have diminished[13] and it has on occasion been overlooked[14], the equitable principles underlying the grant of injunctions in passing off cases may still be of significance in some circumstances[15].

1 An unreported case was mentioned in the judgment of Doderidge J in *Southern v How* (1618) Poph 143 at 144, where a defendant fraudulently counterfeited the mark of a clothier from Gloucester; but another report says that the plaintiff was the deceived customer rather than the owner of the mark (Cro Jac 468 at 471), and another that Doderidge J did not make clear which of them was the plaintiff (2 Roll Rep 26 at 28).

2 *Singer Manufacturing Co v Wilson* (1876) 2 ChD 434 at 453, CA, per Mellish LJ.

3 *Sykes v Sykes* (1824) 3 B & C 541.

4 *Blanchard v Hill* (1742) 2 Atk 484 at 485 per Lord Hardwicke LC. See also *Motley v Downman* (1837) 3 My & Cr 1 at 10 (argument) and at 14 per Lord Cottenham LC.

5 *Millington v Fox* (1838) 3 My & Cr 338.

6 *Blofeld v Payne* (1833) 4 B & Ad 410.

7 *Edelsten v Edelsten* (1863) 1 De GJ & Sm 185.

8 See *Singer Manufacturing Co v Loog* (1882) 8 App Cas 15 at 30, HL, per Lord Blackburn.

9 *Hall v Barrows* (1863) 4 De GJ & Sm 150 at 158 per Lord Westbury LC.

10 Trade Marks Act 1994 s 2(2). As to the statutory registration of trade marks see para 2 et seq ante.

11 *Crawshay v Thompson* (1842) 4 Man & G 357; *Rodgers v Nowill* (1847) 5 CB 109; and see *Dixon v Fawcus* (1861) 3 E & E 537. For a summary of the development of passing off at law and in equity see *Singer Manufacturing Co v Wilson* (1876) 2 ChD 434 at 453–455, CA, per Mellish LJ.

12 *Singer Manufacturing Co v Wilson* (1876) 2 ChD 434, CA; *Birmingham Small Arms Co Ltd v Webb & Co* (1906) 24 RPC 27 at 31 per Parker J; *AG Spalding & Bros v AW Gamage Ltd* (1915) 32 RPC 273 at 283, HL, per Lord Parker of Waddington; *Marengo v Daily Sketch and Sunday Graphic Ltd* (1948) 65 RPC 242 at 253, HL, per Lord du Parcq.

13 *Habib Bank Ltd v Habib Bank AG Zurich* [1981] 2 All ER 650 at 666, [1981] 1 WLR 1265 at 1284–1285, [1982] RPC 1 at 36, CA, where it was said that it is irrelevant whether the cause of action arises at law or in equity for the purposes of the defences of estoppel or acquiescence. As to whether damages or accounts of profits are recoverable in the absence of fraudulent intent see para 442 et seq post.

14 See *HP Bulmer Ltd and Showerings Ltd v J Bollinger SA and Champagne Lanson Père et Fils* [1978] RPC 79 at 135, CA.

15 *Elida Gibbs Ltd v Colgate-Palmolive Ltd* [1983] FSR 95 at 100. As to the use of a trader's own name and concurrent use see para 344 et seq post.

(ii) Goodwill

306. Nature of goodwill. An action for passing off is now recognised as being a remedy for the invasion of a right of property[1], the property being in the goodwill likely to be injured by the misrepresentation rather than in the mark, name or get-up improperly used[2]. 'Goodwill' has been defined as the benefit and advantage of the good name, reputation and connection of a business, the attractive force which brings in

custom, and the one thing which distinguishes an old-established business from a new business at its first start[3]. Although goodwill usually runs hand in hand with reputation, goodwill and reputation are not identical concepts[4].

1 As to the development by the courts of equity of the concept that passing off, in the absence of fraudulent intent, could be restrained as an interference with a right of property, by contrast with the personal action at common law based on the intentional fraud of the defendant, see para 305 ante.

2 *Frank Reddaway & Co Ltd v George Banham & Co Ltd* [1896] AC 199, 13 RPC 218, HL, per Lord Herschell; *AG Spalding & Bros v AW Gamage Ltd* (1915) 32 RPC 273 at 284, HL, per Lord Parker of Waddington; *Star Industrial Co Ltd v Yap Kwee Kor (t/a New Star Industrial Co)* [1976] FSR 256 at 269, PC; *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] AC 731 at 740–741, [1979] 2 All ER 927 at 931–932, [1980] RPC 31 at 92, HL, per Lord Diplock; *Harrods Ltd v Harrodian School Ltd* [1996] RPC 697 at 711, CA, per Millet LJ; *Dawnay Day & Co Ltd v Cantor Fitzgerald International* [2000] RPC 669 at 701, CA, per Scott V-C; *Premier Luggage & Bags Ltd v Premier Co (UK) Ltd* [2002] EWCA Civ 387 at [37], [2003] FSR 69 at [37] per Chadwick LJ; *Phones 4U Ltd v Phone4u.co.uk Internet Ltd* [2006] EWCA Civ 244 at [9], [2007] RPC 83 at [9] per Jacob LJ. The concept of future goodwill is not helpful for this purpose: *Teleworks Ltd v Telework Group plc* [2002] RPC 535.

3 *IRC v Muller & Co's Margarine Ltd* [1901] AC 217 at 223–224, HL, per Lord Macnaghten. As to goodwill generally see PERSONAL PROPERTY vol 35 (Reissue) paras 1206–1210.

4 Thus it may be possible for a trade mark to have a reputation in the United Kingdom but for the proprietor of the trade mark not to own any goodwill here because he does not have any trade or business here: see para 312 post.

307. Required proof and extent of goodwill etc. For there to be goodwill and reputation under a name, mark or other indicium there must be customers or prospective customers who recognise the name, mark or other indicium as distinctive of the claimant's goods or services[1]. Thus the key evidence for proof of goodwill is to show the court what was actually done to publicise the name or badge relied on; the amount spent on advertising and promotion is not of great significance[2].

An action for passing off can be maintained by a small trader with a limited clientele provided that he has built up sufficient goodwill that he will suffer substantial damage by reason of the misrepresentation complained of[3]. If the geographical extent of the goodwill is confined, then the claimant's ability to maintain a claim may be similarly confined[4].

In order to succeed in a claim for passing off, the claimant must have established a goodwill under the relevant name, mark or indicium as at the date the defendant commenced the activities complained of[5].

1 See *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 All ER 873 at 880, [1990] 1 WLR 491 at 499, [1990] RPC 341 at 406, HL, per Lord Oliver of Aylmerton. The test for proving goodwill in a passing off action is not the same as that for proving that an inherently descriptive trade mark has acquired a distinctive character: *Phones 4U Ltd v Phone4u.co.uk Internet Ltd* [2006] EWCA Civ 244 at [25]–[26], [32]–[34], [2007] RPC 83 at [25]–[26], [32]–[34] per Jacob LJ.

2 *Phones 4U Ltd v Phone4u.co.uk Internet Ltd* [2006] EWCA Civ 244 at [6] and [33], [2007] RPC 83 at [6] and [33] per Jacob LJ. By contrast turnover figures are highly pertinent.

3 See *Stannard v Reay* [1967] RPC 589 (fish and chip van); *Chelsea Man Menswear Ltd v Chelsea Girl Ltd* [1985] FSR 567 (affd [1987] RPC 189, CA) (small clothing business); *Sutherland v V2 Music Ltd* [2002] EWHC 14 (Ch), [2002] IP & T 904 (band with no recording contract); *IN Newman Ltd v Adlem* [2005] EWCA Civ 741, [2006] FSR 253 (village funeral directors business); and cf *Hart v Relentless Records Ltd* [2002] EWHC 1984 (Ch), [2003] FSR 647 (goodwill too small for any likelihood of damage).

4 This is particularly so in cases involving the supply of services: *Clock Ltd v Clock House Hotel Ltd* (1936) 53 RPC 269; *Stannard v Reay* [1967] RPC 589. Cf *Chelsea Man Menswear Ltd v Chelsea Girl Ltd* [1985] FSR 567; affd [1987] RPC 189, CA (nationwide injunction granted although plaintiff's trade in clothing geographically restricted).

5 *Cadbury Schweppes Pty Ltd v Pub Squash Co Pty Ltd* [1981] 1 All ER 213, [1981] 1 WLR 193, [1981] RPC 429, PC; *Anheuser-Busch Inc v Budejovicky Budvar Narodni Podnik* [1984] FSR 413, CA. It is arguable that this is the date on which the defendant starts actually using the name or mark in issue rather than e g the date upon which he registers a domain name incorporating that name or mark: *Phones 4U Ltd v Phone4u.co.uk Internet Ltd* [2006] EWCA Civ 244 at [15], [2007] RPC 83 at [15] per Jacob LJ.

308. Whether actual trade need have commenced. An action for passing off can be sustained prior to the actual commencement of trading by the claimant. A claimant may acquire a substantial reputation prior to making sales of a product or service because of advance advertising and press publicity and, in such a case, may sue others who seek to trade on the reputation which he has acquired[1]. A company may in some circumstances acquire a reputation and goodwill that is able to be protected even before its formal incorporation and within hours of the announcement of its intended formation[2]. Where a claimant has incurred considerable expense making preparations for the launch of a product which will rapidly acquire a reputation once launched, a defendant who commences advertising before the claimant with the intention of defeating the claimant's acquisition of an exclusive right to the mark concerned may be restrained by a quia timet injunction[3].

1 *WH Allen & Co v Brown Watson Ltd* [1965] RPC 191; *BBC v Talbot Motor Co Ltd* [1981] FSR 228; cf *S Chivers & Sons v S Chivers & Co Ltd* (1900) 17 RPC 420 at 431 per Farwell J; *Athletes Foot Marketing Associates Inc v Cobra Sports Ltd* [1980] RPC 343 at 357 per Walton J. See also *My Kinda Bones Ltd v Dr Pepper's Stove Co Ltd* [1984] FSR 289 per Slade J (where an application to strike out an action where the claimant relied only on pre-launch publicity was dismissed).

2 See *Fletcher Challenge Ltd v Fletcher Challenge Pty Ltd* [1982] FSR 1 (where the announcement of an intended merger of Challenge Corpn Ltd and Fletcher Holdings Ltd under the name 'Fletcher Challenge' gave rise to sufficient reputation to restrain the defendants who adopted that name the day after the announcement); *Glaxo plc v Glaxowellcome Ltd* [1996] FSR 388 (where the announcement of an intended merger of Glaxo plc and Wellcome plc under the name gave rise to sufficient reputation to restrain the defendants who adopted the name 'Glaxowellcome' the day after the announcement). In each of these cases, however, the goodwill and reputation of each of the antecedent entities would have sufficed to found a claim for passing off on the basis that the name being used by the defendant misrepresented that it was the product of a merger between that entity and the other.

3 *Elida Gibbs Ltd v Colgate-Palmolive Ltd* [1983] FSR 95 (where it was shown that, had the defendant's advertisements continued after the launch of the plaintiff's product, there would have been confusion and, in placing the advertisements, the defendant company had no motive of promoting an existing trade of its own).

309. Cessation or suspension of trade. The cessation or suspension of trade, or of the use of a name, mark or other indicium in a trade, will often leave a residual reputation and goodwill in the public mind which the trader may sue to protect, particularly if it is intended to resume the trade after a temporary interruption[1]. Whether sufficient residual reputation still exists to maintain an action for passing off is a question of fact[2]. It seems, however, that an action cannot be maintained when the goodwill is positively abandoned by the breaking up of the business[3]; nor can an action be maintained by the former trader when the goodwill is assigned to another person[4].

1 *Poiret v Jules Poiret Ltd* (1920) 37 RPC 177 (where the plaintiff was called up for military service and his dressmaking establishment was converted into a shirt factory for the French army); *Music Corpn of America v Music Corpn (Great Britain) Ltd* (1946) 64 RPC 41 (where the plaintiff found it impracticable to continue the business during the war but fully intended to revive it as soon as conditions allowed); *Berkeley Hotel Co Ltd v Berkeley International (Mayfair) Ltd* [1972] RPC 237 (where the plaintiff's hotel had been sold and demolished but the plaintiffs were in the course of rebuilding on another site); *Ad-Lib Club Ltd v Granville* [1971] 2 All ER 300, [1972] RPC 673 (where the plaintiff's club had been forced to close by a noise-nuisance injunction but the plaintiffs were looking for alternative premises); *Levey v Henderson-Kenton (Holdings) Ltd* [1974] RPC 617 (where the plaintiff's department store was closed after a fire and other premises belonging to him were compulsorily acquired); *Thermawear Ltd v Vedonis Ltd* [1982] RPC 44 (plaintiff still had goodwill five years after ceasing to use mark on its goods); and see also *Sutherland v V2 Music Ltd* [2002] EWHC 14 (Ch), [2002] IP & T 904 (band which achieved limited success in 1993 still in existence and had some goodwill in 2001).

2 *Norman Kark Publications Ltd v Odhams Press Ltd* [1962] 1 All ER 636, [1962] 1 WLR 380, [1962] RPC 163 (where it was held that an intention not to abandon the goodwill is insufficient if the reputation of the plaintiff's mark has in fact dwindled).

3 *Pink v JA Sharwood & Co Ltd* (1913) 30 RPC 725 (where the business was broken up and the plant and assets sold by the plaintiff's receiver in lunacy); cf *Second Sight Ltd v Novell UK Ltd and Novell Inc* [1995] RPC 423.

4 *Star Industrial Co Ltd v Yap Kwee Kor (t/a New Star Industrial Co)* [1976] FSR 256, PC.

310. Meaning of 'trader'; actions by non-traders. The action for passing off concerns business or trading activities, so actions by non-traders for misrepresentations damaging to them[1] do not in general fall within the scope of passing off[2]. 'Trader' is, however, very widely interpreted and includes persons engaged in professional, literary and artistic occupations[3]. Actions for passing off may also be sustained by professional associations[4] and non-profit trade associations or chambers of commerce[5]. The courts have been willing to extend protection to claimants who are not engaged in trading activities in the ordinary sense of the word, such as charitable bodies[6], whether incorporated or unincorporated[7], and political organisations[8]. There have been cases where an individual has been entitled to restrain the use of his name in a business in a way which might potentially expose him to liability, apparently without regard to whether or not he is himself engaged in a trading activity[9].

1 Other causes of action, such as injurious falsehood or defamation, may be applicable in some circumstances: see generally LIBEL AND SLANDER.

2 *Day v Brownrigg* (1878) 10 ChD 294, CA (where it was held that there could be no action by a private individual to prevent a neighbour adopting the same name for his house); *Earl Cowley v Countess Cowley* [1901] AC 450, HL (where no action lay to restrain continued use of a title by the former wife of a peer after her remarriage); *Kean v McGivan* [1982] FSR 119, CA (where one political party had no right of action to prevent a new party adopting the same name).

3 See eg *Lord Byron v Johnston* (1816) 2 Mer 29 (author's name); *Hines v Winnick* [1947] Ch 708, [1947] 2 All ER 517, 64 RPC 113 (musician's assumed name); *Marengo v Daily Sketch and Sunday Graphic Ltd* [1948] 1 All ER 406, 65 RPC 242, HL (cartoonist's nom de plume); *Clark v Associated Newspapers Ltd* [1998] 1 All ER 959, [1998] RPC 261 (false attribution of authorship). Authors, artists and composers may also be protected by the statutory right of a person to sue in respect of a false attribution to him of the authorship of a literary, dramatic, musical or artistic work: see the Copyright, Designs and Patents Act 1988 s 84 (as amended); and COPYRIGHT, DESIGN RIGHT AND RELATED RIGHTS vol 9(2) (2006 Reissue) para 471 et seq.

4 *Society of Accountants in Edinburgh v Corpn of Accountants Ltd* (1893) 20 R 750, Ct of Sess; *Society of Accountants and Auditors v Goodway and London Association of Accountants Ltd* [1907] 1 Ch 489; *Institute of Chartered Accountants of England and Wales v Hardwick* (1919) 35 TLR 342, CA; *Society of Incorporated Accountants v Vincent* (1954) 71 RPC 325; *British Association of Aesthetic Plastic Surgeons v Cambright Ltd* [1987] RPC 549; *Law Society of England & Wales v Society of Lawyers* [1996] FSR 739; cf *Society of Architects v Kendrick* (1910) 26 TLR 433. See also *British Medical Association v Marsh* (1931) 48 RPC 565 (chemist held himself out as being a branch of the association). Under the Trade Marks Act 1994 statutory protection is now afforded to trade associations by the registration of collective marks: see para 155 et seq ante.

5 *Lagos Chamber of Commerce Inc v Registrar of Companies and Association of Merchants and Industrialists* (1955) 72 RPC 263, PC.

However, a trade association cannot maintain an action in a representative capacity on behalf of its members who use a particular descriptive appellation (see para 319 post), because if the trade association does not itself use that appellation it has no goodwill to protect and thus does not have the same interest as its members: *Chocosuisse Union des Fabricants Suisses de Chocolat v Cadbury Ltd* [1999] RPC 826, CA; *Scotch Whisky Association v JD Vintners Ltd* [1997] Eu LR 446. See, however, *Artistic Upholstery Ltd v Art Forma (Furniture) Ltd* [1999] 4 All ER 277, [2000] FSR 311, where a trade association was held able to own, through its members, goodwill which could found an action for passing off.

6 *British Legion v British Legion Club (Street) Ltd* (1931) 48 RPC 555; *Re Dr Barnardo's Homes, National Incorporated Association v Barnardo Amalgamated Industries Ltd and Benardout* (1949) 66 RPC 103; *Old Apostolic Church Of Africa v Non-white Old Apostolic Church of Africa* [1975] (2) SA 684, SAHC; *Holy Apostolic and Catholic Church of the East (Assyrian) Australia NSW Parish Association v A-G* (1986) 16 IPR 619, NSWCA; *British Diabetic Association v Diabetic Society* [1995] 4 All ER 812, [1996] FSR 1.

7 *British Legion v British Legion Club (Street) Ltd* (1931) 48 RPC 555 at 562–563.

8 *Burge v Haycock* [2001] EWCA Civ 900, [2002] RPC 553, [2002] IP & T 213 (holding that *Kean v McGivan* [1982] FSR 119, CA (in which relief was refused) was a case on its own facts).

9 *Routh v Webster* (1847) 10 Beav 561 (where the unauthorised use of an individual's name in the promotion of a joint stock company was restrained). See also *Gray v Smith* (1889) 43 ChD 208, CA (where a successor to a partnership's business was held not entitled to use the name of a retired partner in a way which might expose him to continuing liabilities). It is not clear whether these actions are a species of passing off or a separate type of action.

311. Shared reputations. In order to maintain an action for passing off a claimant need not be the only person entitled to make use of a particular mark or name[1]. Thus where the goodwill connected with the use of a trade name originally used in a single business is divided between different persons, each of those persons has an independent right to sue a third person for passing off by use of the trade name[2]. The same result may follow where different traders independently build up goodwill under the same name[3].

Where the claimant is one of a class of persons involved in trading in goods under a descriptive name, he can maintain an action for passing off against a defendant misusing the name if his business or goodwill is likely to suffer more than minimal damage as a result of the defendant's activities[4]. The nature of the reputation and goodwill in this instance is different in kind from that enjoyed where the reputation in a trade name has been divided, for example a descriptive name, such as 'advocaat', which is non-proprietary in nature can be used by any trader to describe his goods which possess its qualities[5], whereas the trade name indicates the origin of the goods rather than any particular standard of quality and can be used only by the persons who share the reputation[6].

Where two or more parties share reputation in a mark, one may be restrained from making a mispresentation which damages the goodwill owned by the other or others[7].

1 As to concurrent rights of use see para 346 post.
2 *Dent v Turpin, Tucker v Turpin* (1861) 2 John & H 139; *Southorn v Reynolds* (1865) 12 LT 75.
3 *Parker & Son (Reading) Ltd v Parker* [1965] RPC 323; *Byford v Oliver* [2003] EWHC 295 (Ch), sub nom *SAXON Trade Mark* [2003] FSR 704, [2003] EMLR 416. See also *Sutherland v V2 Music Ltd* [2002] EWHC 14 (Ch), [2002] IP & T 904.
4 *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] AC 731 at 748, [1979] 2 All ER 927 at 937, [1980] RPC 31 at 98, HL. See also para 319 post.
5 See *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] AC 731 at 747, [1979] 2 All ER 927 at 937, [1980] RPC 31 at 97, HL.
6 As to assignment and transmission see para 314 post.
7 *Sir Robert McAlpine Ltd v Alfred McAlpine plc* [2004] EWHC 630 (Ch), [2004] RPC 711.

312. Ownership of goodwill by foreign traders. A number of considerations arise when a claimant seeks to restrain the use in the United Kingdom of a name, mark or other indicium under which he has carried on business abroad[1]. A claimant in any case of passing off must prove a reputation extending to the geographical area in which the defendant's use of the name, mark or other indicium complained of is taking place[2], whether this is in another part of the country in which the claimant trades or in a different country, because, if he has no reputation in that area, the defendant's use of a similar name or mark cannot involve any misrepresentation[3]. If the claimant can establish that a substantial number of persons with whom the defendant intends to trade in the United Kingdom know of the claimant and will believe that the defendant's business is a branch of or connected with the claimant's business, so that the element of misrepresentation is established, the claimant must further show, as in any action for passing off, that the misrepresentation poses a real and tangible risk of injury to his business or goodwill[4].

It is unclear, however, whether there is an additional requirement that the claimant must carry on business in, or at least have a trade extending to, the country in which he seeks to restrain the defendant from using the mark or name, or whether the geographical separation of the claimant's business from the defendant's is a factual

element which merely makes it difficult, but not impossible in all circumstances, for a claimant to show that the defendant's activities are likely to cause him substantial damage. What is clear is that a claimant who has no place of business in the United Kingdom and does not directly trade there, but whose goods are imported either by consumers or by intermediaries, can acquire[5] a reputation and goodwill that is able to be protected[6]. A business carried on abroad but which corresponds with customers in the United Kingdom can likewise acquire a reputation and goodwill able to be protected[7].

It is more doubtful whether passing off can be established where the claimant's goods or services are neither marketed in the United Kingdom nor purchased by customers in the United Kingdom, but his customers who have come across his goods or services abroad reside in or come to the United Kingdom, although in one such case an interlocutory injunction was granted[8]. It has, however, been held[9] that a claimant whose establishment in Paris had been advertised in England through travel agents, and who had some customers in England who had visited Paris, could not maintain an action for passing off in England against a defendant who had adopted the name of the claimant's establishment and used similar advertising with the intent of exploiting the claimant's reputation, because goodwill could not be acquired without actual user in England[10]. This decision has been criticised as wrongly decided[11], and tenuous user in the United Kingdom has been treated as justification for protection of a reputation primarily acquired by trade abroad[12], but the case has been cited with approval by the Court of Appeal[13].

The extent to which a reputation acquired by trading abroad may be protected in the United Kingdom may depend to some extent upon whether a trader is to be treated as a matter of law as having a separate goodwill in each country in which he trades[14] or whether the confining of goodwill to a particular country or area is a question of fact depending on the trading patterns and circumstances involved[15]. If goodwill is to be treated as a matter of law as stopping at frontiers, there may still be cases where the defendant's activities are likely to cause damage to the claimant's business in the country or countries where he trades[16]. However, even if the claimant has no protectable goodwill in the United Kingdom for the purpose of founding an action for passing off, he may have a statutory right to restrain by injunction the use in the United Kingdom of a mark protected as a well known trade mark under the Paris Convention[17]. There may also be a statutory right where a foreign trader's mark is misappropriated by an agent or representative of his in the United Kingdom[18].

1 As to passing off by the use of a name or mark see para 326 et seq post; and as to passing off by similarity of get-up or shape of goods see para 338 et seq post.

2 This is not necessarily the same country or area as that in which the defendant carries on business, in cases where the defendant applies a deceptive mark to goods for sale to ultimate purchasers in a different area or country: see para 307 ante. As to enabling passing off by others see para 331 post.

3 *Cellular Clothing Co Ltd v Maxton and Murray* [1899] AC 326, 16 RPC 397, HL, per Lord Shand; *Lee v Haley* (1869) 5 Ch App 155 (where the injunction was limited to a single street); *Barber v Manico* (1893) 10 RPC 93; *George Outram & Co Ltd v London Evening Newspapers Co Ltd* (1911) 28 RPC 308; *Brestian v Try* [1958] RPC 161, CA.

4 As to the requirement to show damage see para 333 post.

5 In some circumstances the importer, rather than the foreign manufacturer, may acquire ownership of the goodwill: see para 313 post. There is, however, nothing to prevent the defendant's own acts, in importing the claimant's goods, from creating a protectable goodwill in the United Kingdom belonging to the claimant which then entitles the claimant to sue the defendant (or others) for passing off: *Nishika Corpn v Goodchild* [1990] FSR 371.

6 *Collins Co v Brown* (1857) 3 K & J 423 (where the basis of the decision was that the defendant's fraud gave rise to a personal cause of action based on property); *SA des Anciens Etablissements Panhard et Levassor v Panhard Levassor Motor Co Ltd* [1901] 2 Ch 513, 18 RPC 405 (approved in *Anheuser-Busch Inc v Budejovicky Budvar Narodni Podnik* [1984] FSR 413, CA); *Poiret v Jules Poiret Ltd* (1920) 37 RPC 177 (where the plaintiff had no place of business in England but he or his agents had made visits to sell dresses

and had given a display at 10 Downing Street); *Roberts Numbering Machine Co v Davis* (1935) 53 RPC 79 (where the plaintiff had never had a business in England or an agency in the strict sense of the word but had sold to a sole importer); *Nishika Corpn v Goodchild* [1990] FSR 371 (where the defendant had imported the plaintiff's goods); *Jian Tools for Sale Inc v Roderick Manhattan Group Ltd* [1995] FSR 924 (where the American plaintiff had sold goods to customers in the United Kingdom through magazines circulating there); *Mecklermedia Corpn v DC Congress GmbH* [1998] Ch 40, [1998] 1 All ER 148, [1997] FSR 627 (where the plaintiff had organised trade shows in the United Kingdom); and see *IRC v Muller & Co's Margarine Ltd* [1901] AC 217 at 233, HL, per Lord Robertson.

7 *Grant (t/a Globe Furnishing Co) v Levitt* (1901) 18 RPC 361 (where the plaintiff carried on business in Liverpool and corresponded with customers in Ireland); *Pete Waterman Ltd v CBS United Kingdom Ltd* [1993] EMLR 27 (where the defendant operated a recording studio in New York which was booked by, and which rendered invoices to, United Kingdom customers).

8 *Sheraton Corpn of America v Sheraton Motels Ltd* [1964] RPC 202 (where the owners of an international chain of hotels were able to restrain the defendant from opening a hotel under the same name at Prestwick Airport, although they had no hotel in the United Kingdom; the plaintiffs took some bookings for their hotels abroad through an office established in London, but this fact was not treated as significant).

9 Ie in *Alain Bernardin & Cie v Pavilion Properties Ltd* [1967] RPC 581.

10 *Alain Bernardin & Cie v Pavilion Properties Ltd* [1967] RPC 581 at 584, based principally on a dictum of Jenkins LJ in *T Oertli AG v EJ Bowman (London) Ltd* [1957] RPC 388 at 397, CA (affd [1959] RPC 1, HL), and on an extract from the speech of Lord Macnaghten in *IRC v Muller & Co's Margarine Ltd* [1901] AC 217 at 223–224, HL.

11 See *Maxim's Ltd v Dye* [1978] 2 All ER 55 at 58, [1977] 1 WLR 1155 at 1158, [1977] FSR 364 at 367 per Graham J (not following *Alain Bernardin & Cie v Pavilion Properties Ltd* [1967] RPC 581; but explaining *IRC v Muller & Co's Margarine Ltd* [1901] AC 217, HL; and applying *Baskin-Robbins Ice Cream Co v Gutman* [1976] FSR 545 at 548 per Graham J); *Pete Waterman Ltd v CBS United Kingdom Ltd* [1993] EMLR 27 at 53 per Browne-Wilkinson V-C. See also *C and A Modes v C and A (Waterford) Ltd* [1978] FSR 126, Ir CA; *Orkin Exterminating Co Inc v Pestco of Canada Ltd* (1985) 19 DLR 90, Ont CA; *Dominion Rent A Car Ltd v Budget Rent A Car Systems (1970) Ltd* [1987] 2 NZLR 395, NZ CA; *ConAgra Inc v McCain Foods (Aust) Pty Ltd* (1992) 23 IPR 193, Aust HC; *Calvin Klein Inc v International Apparel Syndicate* [1995] FSR 515, Calcutta HC; *Yahoo! Inc v Akash Akora* [1999] FSR 931, Delhi HC. In *Metric Resources Corpn v Leasemetrix Ltd* [1979] FSR 571, Megarry V-C considered that the correctness of the decision in *Alain Bernardin & Cie v Pavilion Properties Ltd* supra was a difficult point of law fully arguable on either side; and in *Athletes Foot Marketing Associates Inc v Cobra Sports Ltd* [1980] RPC 343, Walton J adopted the intermediate position that it was sufficient for a plaintiff to have some customers in the United Kingdom but insufficient to have a reputation but no customers, a position which was followed in *Pete Waterman Ltd v CBS United Kingdom Ltd* supra.

12 *Globelegance BV v Sarkissian* [1974] RPC 603. See also *JC Penney Co Inc v Punjabi Nick* [1979] FSR 26, Hong Kong SC; *Tan-Ichi Co v Jancar Ltd* [1990] FSR 151, Hong Kong SC (commenting on changes in modern day trading conditions resulting from increased numbers of travellers and tourists).

13 *Anheuser-Busch Inc v Budejovicky Budvar Narodni Podnik* [1984] FSR 413, CA (where the plaintiffs had some reputation, but no trade, in the United Kingdom except that they made considerable sales to American personnel through United States service stores, and it was held that the sale of the defendants' beer on the general market would cause the plaintiffs no damage as they had no trade in that market to be interfered with).

14 See *Star Industrial Co Ltd v Yap Kwee Kor (t/a New Star Industrial Co)* [1976] FSR 256 at 269, PC; *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] AC 731 at 752, [1979] 2 All ER 927 at 941, [1980] RPC 31 at 102, HL, per Lord Fraser of Tullybelton, citing *Star Industrial Co Ltd v Yap Kwee Kor (t/a New Star Industrial Co)* supra. In *Metric Resources Corpn v Leasemetrix Ltd* [1979] FSR 571 at 579, Megarry V-C considered that in no sense was *Star Industrial Co Ltd v Yap Kwee Kor (t/a New Star Industrial Co)* supra a decision that the owner of a business carried on outside the jurisdiction could not establish goodwill capable of protection within the jurisdiction before beginning to trade there, although literal application of what was said in that case provided support for that proposition.

15 See *IRC v Muller & Co's Margarine Ltd* [1901] AC 217 at 224, HL, per Lord Macnaghten, at 228 per Lord James of Hereford and at 233–234 per Lord Robertson, who considered that, if the trade of the German margarine factory had been diffused over several countries, the question of the location of the goodwill would have been more complex, and cf Lord Lindley at 235 who considered that goodwill was located at the place where the business was carried on; *Lacteosote Ltd v Alberman* [1927] 2 Ch 117, 44 RPC 211 (where the French and British markets were supplied from a single factory in France and the goodwill in the United Kingdom was held not severable from that of the French business); *Ingenohl v Wing On & Co (Shanghai) Ltd* (1927) 44 RPC 343, PC (where expropriation of the goodwill of part of a business in the Philippines was held to carry with it the right to use the marks of the business in other countries in competition with the original owner); *Maxim's Ltd v Dye* [1978] 2 All ER 55 at 59, [1977]

1 WLR 1155 at 1159–1160, [1977] FSR 364 at 368 per Graham J; *C and A Modes v C and A (Waterford) Ltd* [1978] FSR 126 at 138, Ir CA, per Henchy J (where the plaintiff's business in Northern Ireland had many customers from the Republic of Ireland); *Anheuser-Busch Inc v Budejovicky Budvar Narodni Podnik* [1984] FSR 413, CA (where goodwill attached to the plaintiff's trade in United States service bases in the United Kingdom was treated as an extension of the plaintiff's American goodwill); *Pete Waterman Ltd v CBS United Kingdom Ltd* [1993] EMLR 27 at 53–58 per Browne-Wilkinson V-C, who questioned the need for a severable goodwill locally situate within the jurisdiction.

16 See eg *Sheraton Corpn of America v Sheraton Motels Ltd* [1964] RPC 202 (cited in note 8 supra). In an appropriate case it may be possible for the claimant to sue the defendant in England for a wrong actionable under the law of the country in question by virtue of the Private International Law (Miscellaneous Provisions) Act 1995 Pt III (ss 9–15) (see CONFLICT OF LAWS vol 8(3) (Reissue) para 368 et seq).

17 See para 153 ante. As to the Paris Convention see para 6 ante.

18 See para 154 ante.

313. Ownership of goodwill attached to names, marks etc. Questions often arise as to the ownership of the goodwill attached to names, marks and other indicia used in relation to goods or services with which two or more persons have been connected in different capacities[1].

Thus, when goods made by a foreign manufacturer are imported by a dealer, the goodwill in the name or mark applied to them may belong, depending on the circumstances[2], either to the manufacturer[3] or to the dealer[4]. Where the foreign manufacturer is from a country which belongs to the Paris Convention[5], he may have a statutory right to restrain the unauthorised use by an agent or representative of his in the United Kingdom of a trade mark of which he is proprietor in his own country[6]. A name or mark initially belonging to and denoting goods of the manufacturer can become distinctive of the dealer if he is allowed over a sufficient period to sell goods made by himself or acquired from other sources under the name or mark[7]. Where the mark is the manufacturer's mark, an importer cannot maintain an action against a third person for the passing off of goods as those of the manufacturer by the use of the mark, even though he has by contract with the manufacturer the exclusive right to import the goods and suffers pecuniary damage as a result of the passing off[8]. Although by contract the dealer and manufacturer may regulate the ownership of a name or mark as between themselves, their contractual arrangements will not necessarily bind a third person, so that, if the name or mark in fact denotes goods of a foreign manufacturer, the purported assignment of the goodwill attached to the mark in the United Kingdom to the importer will not prevent a third person from importing goods to which the manufacturer has applied the name or mark[9]. Similarly, a purported assignment of goodwill in a mark to the manufacturer may not give him good title to sue a third person if the mark in fact denotes goods originating from the business of the dealer[10].

Similar questions arise as to the ownership of goodwill in names and marks as between licensors and licensees of patented and other manufacturing processes, where it seems essential in order for the licensor to retain ownership of the goodwill that he should exercise sufficient control over the manufacture and sale of products by the licensee[11].

Questions as to the ownership of the goodwill in a name can arise between employer and employee where the employee's name, either real or assumed, is used in the course of the employer's business. It is possible for the employee's name to be so used in the course of the employer's business that it becomes distinctive of the employer rather than of the employee[12].

The nom de plume of a writer or the assumed name of a performer or musician prima facie belongs to the individual concerned[13].

Where various members of a group of companies use trading styles which embody a common element distinctive of the group, or are associated in various capacities with

goods bearing trade marks used by the group, the ownership of the goodwill attached to the names or marks as between members of the group may be uncertain[14]. It would appear that, in the absence of contrary agreement, a subsidiary or associated company which is permitted by the group to build up a business acquires an interest in the goodwill sufficient to enable it to continue to trade under the same style after its connection with the group is severed[15]. Where an international group of companies trades in a particular country through a particular company, the goodwill enjoyed in that country may belong to that company in the sense that the company is the appropriate claimant in an action for passing off, but nevertheless the goodwill and reputation may remain that of the international group so that other members of the group can also trade in that country without transfer of the goodwill or licence, express or implied[16].

1 Similar questions arose under the old law relating to registered trade marks, and the cases are still of relevance in connection with ownership of goodwill in an action for passing off, since only the person entitled to ownership of the goodwill attached to the mark was entitled to register it: *Re Apollinaris Co's Trade Marks* [1891] 2 Ch 186 at 226, 8 RPC 137 at 160–161, CA, per Fry LJ. The question of ownership often arose as between importers and overseas manufacturers: see *European Blair Camera Co's Trade Mark* (1896) 13 RPC 600; *Re New Atlas Rubber Co Ltd's Trade Mark* (1918) 35 RPC 269 ('Talisman'); *Re Warschauer's Application* (1925) 43 RPC 46 ('Obermeier'); *Re Elaine Inescourt's Trade Mark* (1928) 46 RPC 13; *Re Lesquendieu Trade Marks* (1934) 51 RPC 273. See also *Re Wood's Trade Mark* (1886) 32 ChD 247, 3 RPC 81, CA; *Walker & Sons Ltd v Kego* (1921) 38 RPC 25; *Re Impex Electrical Ltd's Trade Marks, Impex Electrical Ltd v Weinbaum* (1927) 44 RPC 405; *JH Coles Pty Ltd v Need* [1934] AC 82, 50 RPC 379, PC; *Re Kidax (Shirts) Ltd's Applications* [1960] RPC 117 at 124, CA; *Re Diehl KG's Application* [1969] 3 All ER 338, [1970] 2 WLR 944, [1970] RPC 435.

2 The issue of ownership of goodwill always turns on the facts on the case, such that reference to previous decisions is unlikely to be helpful: *Scandecor Development AB v Scandecor Marketing AB* [1999] FSR 26, CA; on appeal [2001] UKHL 21, [2001] IP & T 676.

3 *Richards v Butcher* [1891] 2 Ch 522, 7 RPC 288 (affd [1891] 2 Ch 522 at 540, 8 RPC 249, CA); *Van Zeller v Mason, Cattley & Co* (1907) 25 RPC 37; *Dental Manufacturing Co Ltd v C De Trey & Co* [1912] 3 KB 76, 29 RPC 617, CA; *Imperial Tobacco Co of India Ltd v Bonnan* [1924] AC 755, 41 RPC 441, PC; *Edison Storage Battery Co v Britannia Batteries Ltd* (1931) 48 RPC 350; *Roberts Numbering Machine Co v Davis* (1935) 53 RPC 79; *A/B Helsingfors Manus v RJ Fullwood & Bland Ltd* [1949] Ch 208, [1949] 1 All ER 205, CA.

4 See e g *J Defries & Sons Ltd and Helios Manufacturing Co v Electric and Ordnance Accessories Co Ltd* (1906) 23 RPC 341 (where the name was chosen by the dealer and the articles were made up by the manufacturer to the dealer's order and it was held that the dealer was entitled to restrain the manufacturer from applying the mark to other goods); *Ullman & Co v Cesar Leuba* [1908] AC 443, 25 RPC 673, PC; *DIEHL Trade Mark* [1970] RPC 435; *MedGen Inc v Passion for Life Products Ltd* [2001] FSR 496 (product developed in the United States by claimant but exclusively marketed in the United Kingdom by defendant).

5 As to the Paris Convention see para 6 ante.

6 See the Trade Marks Act 1994 s 60(1), (4); and para 154 ante.

7 *Jaeger v Jaeger & Co Ltd* (1927) 44 RPC 437, CA; *Sturtevant Engineering Co Ltd v Sturtevant Mill Co of USA Ltd* [1936] 3 All ER 137, 53 RPC 430; *Adrema Ltd v Adrema-Werke GmbH and BEM Business Efficiency Machines Ltd* [1958] RPC 323; *Scandecor Development AB v Scandecor Marketing AB* [1999] FSR 26, CA (on appeal [2001] UKHL 21, [2001] IP & T 676). See also *T Oertli AG v EJ Bowman (London) Ltd* [1959] RPC 1, HL. Cf *Gromax Plasticulture Ltd v Don & Low Nonwovens Ltd* [1999] RPC 367 (where a distributor had sold a supplier's goods for a number of years in co-operation with the supplier it was held that goodwill in the mark was jointly owned).

8 *Richards v Butcher* [1891] 2 Ch 522 at 540, 8 RPC 249, CA; *Dental Manufacturing Co Ltd v C De Trey & Co* [1912] 3 KB 76, 29 RPC 617, CA. There is some doubt as to how rigid this rule is after the decision in *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] AC 731, [1979] 2 All ER 927, [1980] RPC 31, HL. See para 319 post.

9 It is not clear whether the basis of this rule is that the purported assignment of goodwill is altogether ineffective because there is no assignment of the goodwill in the business (i e the manufacturing business) to which the mark in fact relates (see *Lacteosote Ltd v Alberman* [1927] 2 Ch 117, 44 RPC 211), or whether the importer would have good title to sue for true piracy but cannot restrain importation of goods bearing the manufacturer's mark because that use of the mark involves no misrepresentation (see *Imperial Tobacco Co of India Ltd v Bonnan* [1924] AC 755 at 762, 41 RPC 441 at 448, PC). As to parallel imports generally see para 347 post.

10 *Ullman & Co v Cesar Leuba* [1908] AC 443, 25 RPC 673, PC.
11 *T Oertli AG v EJ Bowman (London) Ltd* [1959] RPC 1 at 7, HL, per Lord Reid; and see *Freeman Bros v Sharpe Bros & Co Ltd* (1899) 16 RPC 205; cf *JH Coles Pty Ltd v Need* [1934] AC 82, 50 RPC 379, PC.
12 *Birmingham Vinegar Brewery Co v Liverpool Vinegar Co and Holbrook* (1888) 4 TLR 613 (where an employer was held entitled to restrain an ex-employee and persons to whom the employee purported to assign the right to sell sauce bearing the ex-employee's name); cf *Franke v Chappell* (1887) 3 TLR 524 (where the name 'Richter concerts' was held to be associated with the conductor Richter and not with the person who had first organised concerts with Richter under that name, so that he could not prevent others from announcing concerts by Richter as 'Richter concerts').
13 See *Landa v Greenberg* (1908) 24 TLR 441; *Hines v Winnick* [1947] Ch 708 at 713, [1947] 2 All ER 517 at 520, 64 RPC 113 at 117 per Vaisey J; *Modern Fiction Ltd v Fawcett* (1949) 66 RPC 230; *Forbes v Kemsley Newspapers Ltd* (1951) 68 RPC 183; *Sykes v John Fairfax & Sons Ltd* [1978] FSR 312.
14 It is rarely of practical importance in actions for passing off against third persons whether the goodwill is owned by the parent company, its subsidiaries or is shared between them, since the general practice when in doubt is to join as claimants the parent and all relevant subsidiaries in order to prevent the defendant from taking a technical point on title to sue.

As to the ownership of goodwill as between franchisor and franchisee see para 316 note 1 post.

15 *Habib Bank Ltd v Habib Bank AG Zurich* [1981] 2 All ER 650, [1981] 1 WLR 1265, [1982] RPC 1, CA; and see also *Dawnay Day & Co Ltd v Cantor Fitzgerald International* [2000] RPC 669, CA (where the agreement was that the subsidiary could use the name 'Dawnay Day' only for so long as it remained a company in the Dawnay Day group). Cf *Anderson & Lembke Ltd v Anderson & Lembke Inc* [1989] RPC 124 (United Kingdom branch of foreign corporation which had common origin to separate United Kingdom company entitled to state its affiliation on notepaper and business cards; but it had adopted a different trading style).
16 *Habib Bank Ltd v Habib Bank AG Zurich* [1981] 2 All ER 650 at 661, [1981] 1 WLR 1265 at 1278, [1982] RPC 1 at 30, CA, per Oliver LJ. See also *Revlon Inc v Cripps and Lee Ltd* [1980] FSR 85, CA; *Imperial Tobacco Co of India Ltd v Bonnan* [1924] AC 755 at 762, 41 RPC 441 at 448, PC.

314. Assignment and transmission of goodwill and rights in marks, names etc. The goodwill[1] of a business, and with it the appendant right to restrain others from using names, marks or other indicia confusingly similar to those used in the business, generally passes by devolution upon death[2], by operation of law[3] or by assignment[4]. Some names or marks, for example an artist's name, may so denote a particular individual and his personal skills as to be incapable of assignment[5]. However, the courts generally consider that names, marks and other indicia, even if originally derived from an individual's name used in a business, may come to denote goods or services originating from that business without being a representation as to the persons by whom the business is from time to time carried on, so that a successor to the business is entitled to continue to represent by the use of such names or marks that his goods or services come from that business, and to restrain a stranger from using them in a way which will lead to deception[6]. However, it follows from this that a mere right to use a name or mark cannot be validly assigned so as to confer rights against the public[7] without the goodwill of the business concerned[8] or at least of a severed or severable part of it[9]. Goodwill in distinct geographical areas is in general divisible[10], but in some circumstances the goodwill in one country cannot be severed from that of the business as a whole[11].

By statute, registered trade marks may now be assigned without the goodwill of the business to which they relate[12]. When a registered trade mark is assigned, it is not clear whether or to what extent the common law rights attaching to the mark, or the rights to an unregistered mark used in the same business in relation to the same goods, may be assigned with it without the goodwill of the business[13].

1 As to goodwill see para 306 et seq ante.
2 *Croft v Day* (1843) 7 Beav 84.
3 Eg upon the bankruptcy of an individual the goodwill vests in his trustee in bankruptcy: see BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) paras 424–425.
4 *Churton v Douglas* (1859) John 174; *Hall v Barrows* (1863) 4 De GJ & Sm 150; *Levy v Walker* (1879) 10 ChD 436, CA. See also *Harrods Ltd v Harrods (Buenos Aires) Ltd* [1999] FSR 187, CA (English retailer

giving South American company irrevocable permission to use the name 'Harrods' in South America); *Tin Tin Yat Pao (International) Ltd v Tin Tin Publication Development Ltd* [2000] 3 HKC 1, [2000] IP & T 1109, HK CFA (licence to carry on licensor's business for a limited period akin to assignment and reversion back).

5 See *Leather Cloth Co Ltd v American Leather Cloth Co Ltd* (1865) 11 HL Cas 523 at 545 per Lord Kingsdown; *Thorneloe v Hill* [1894] 1 Ch 569 at 575, 11 RPC 61 at 70 per Romer J. The statutory right of a person to sue in respect of a false attribution of ownership of a literary, dramatic, musical or artistic work under the Copyright, Designs and Patents Act 1988 s 84 appears to be a personal right exercisable by the individual concerned, or by his personal representatives up to 20 years after his death: see s 86(2); and COPYRIGHT, DESIGN RIGHT AND RELATED RIGHTS vol 9(2) (2006 Reissue) para 480.

6 *Leather Cloth Co Ltd v American Leather Cloth Co Ltd* (1865) 11 HL Cas 523 at 534 per Lord Cranworth, who said that the question in every such case must be whether the purchaser in continuing the use of the original trade mark would, according to the ordinary usages of trade, be understood as saying more than that he was carrying on the same business as had been formerly carried on by the person whose name constituted the trade mark; *Thorneloe v Hill* [1894] 1 Ch 569 at 575, 11 RPC 61 at 70 per Romer J; *Rickerby v Reay* (1903) 20 RPC 380.

7 A purported assignment may be effective between the parties to it.

8 This is because the successor's use of the name or mark, in falsely passing off his goods and services as coming from the source from which the public is accustomed to receive them, is itself deceptive, and he has no better right than a stranger to restrain the use of such name or mark by a third person: *Thorneloe v Hill* [1894] 1 Ch 569, 11 RPC 61. This was also the old position in relation to registered trade marks, although that law has now been radically altered by statute to facilitate assignments of registered marks with or without the goodwill of the business: see the Trade Marks Act 1994 s 24(1); and para 129 ante. The old cases relating to assignments of registered marks are, however, still relevant in the context of assignment of common law goodwill. Any assignment of trade marks in gross, i e dissociated from the goodwill of their business of origin, was invalid: *Pinto v Badman* (1891) 8 RPC 181, CA. A mark could not be assigned for parts of a wholesale business or for selling rights without manufacturing rights: *Lacteosote Ltd v Alberman* [1927] 2 Ch 117, 44 RPC 211; *Re John Sinclair Ltd's Trade Mark* [1932] 1 Ch 598, 49 RPC 123, CA; *Re Dobie & Sons Ltd's Trade Mark* (1935) 52 RPC 333. See also *Re Berna Commercial Motors Ltd* [1915] 1 Ch 414, 32 RPC 113; *Re GH Mumm & Co's Applications* (1922) 39 RPC 379; *Re Cranbux Ltd's Application* [1928] Ch 829, 45 RPC 281. A mark which in fact never had been used was not assignable: see *Re Ducker's Trade Mark* [1929] 1 Ch 113, 45 RPC 397, CA.

9 *Thorneloe v Hill* [1894] 1 Ch 569 at 577, 11 RPC 61 at 72.

10 *Star Industrial Co Ltd v Yap Kwee Kor (t/a New Star Industrial Co)* [1976] FSR 256, PC.

11 *Lacteosote Ltd v Alberman* [1927] 2 Ch 117, 44 RPC 211 (where French and British markets were supplied from a single factory in France and it was held that the goodwill in Britain was not separately assignable). See also *Ingenohl v Wing On & Co (Shanghai) Ltd* (1927) 44 RPC 343, PC.

12 See the Trade Marks Act 1994 s 24(1); and para 129 ante.

13 The provisions of the Trade Marks Act 1938 s 22(3) (repealed), which explicitly authorised the conveyance of rights to an unregistered mark without the goodwill of the business when assigned together with a registered mark, have not been replaced. The Trade Marks Act 1994 s 24(6) (see para 129 ante) merely states that the Act does not affect the assignment of an unregistered trade mark as part of the goodwill of the business.

315. Effect of transfer of goodwill. The transfer of the goodwill of a business generally gives to the successor the right, as against the predecessor, to use the name, marks[1] and other indicia of the business, even if the name of the business includes the predecessor's own name[2]. However, there may be some circumstances in which, because continued use of the name under which the business was previously carried out could amount to a misrepresentation[3], continued use of the name can be restrained by the predecessor in title or other parties formerly associated with the business[4].

Generally, following a transfer of goodwill, the predecessor is not entitled to represent by the use of the name or marks of the firm, or otherwise, that he is carrying on the same business as before[5], although in the absence of a contractual restriction he is entitled to continue in the same line of business in the same area[6], and to make plain his former connection with the business[7].

If the name of the business concerned is the personal name of the transferor, the transfer of the goodwill does not of itself deprive him of the right enjoyed by any other person of trading under his own name[8], although it seems that in such circumstances

there may be a positive obligation upon the transferor to make plain in advertisements or by other means that his connection with the former business has ceased[9]. Goodwill and the appendant rights to use names or marks are usually assigned expressly, but may be conveyed by implication in the sale of the assets of a business as a going concern[10].

1 The rights to trade marks, whether registered or unregistered, generally pass with the goodwill of a business in the absence of an express stipulation to the contrary: *William Currie & Co v Currie* (1898) 15 RPC 339. See also para 314 ante.

2 *Churton v Douglas* (1859) John 174; *Melrose-Drover Ltd v Heddle* (1901) 4 F (Ct of Sess) 1120; *Wood v Hall* (1915) 33 RPC 16. See also *Levy v Walker* (1879) 10 ChD 436, CA. In using the name or mark the successor is, however, not entitled to use the predecessor's name in such a way as to represent that the predecessor is still carrying on the business: *Thynne v Shove* (1890) 45 ChD 577. As to goodwill generally see PERSONAL PROPERTY vol 35 (Reissue) paras 1206–1210.

3 Eg that the defendant is part of the corporate group who previously carried on that business.

4 Eg a former parent company once the connection with it implied by the name of the subsidiary has ceased: *Dawnay Day & Co Ltd v Cantor Fitzgerald International* [2000] RPC 669, CA.

5 *Churton v Douglas* (1859) John 174; *Mrs Pomeroy Ltd v Scalé* (1906) 24 RPC 177 at 181 per Buckley J; *May v May* (1914) 31 RPC 325, DC; *IN Newman Ltd v Adlem* [2005] EWCA Civ 741, [2006] FSR 253.

6 *Hall v Barrows* (1863) 4 De GJ & Sm 150; *Labouchere v Dawson* (1872) LR 13 Eq 322.

7 *Trego v Hunt* [1896] AC 7 at 27, HL, per Lord Davey; *Anderson & Lembke Ltd v Anderson & Lembke Inc* [1989] RPC 124; *Dawnay Day & Co Ltd v Cantor Fitzgerald International* [2000] RPC 669, CA. See also *Leather Cloth Co Ltd v American Leather Cloth Co Ltd* (1865) 11 HL Cas 523 at 540–541.

8 *Mrs Pomeroy Ltd v Scalé* (1906) 24 RPC 177 at 181 per Buckley J, and at 188 per Parker J. As to the right of an individual to trade under his own name, notwithstanding that confusion may result, see para 344 post.

9 *Mrs Pomeroy Ltd v Scalé* (1906) 24 RPC 177 at 192 per Parker J; *May v May* (1914) 31 RPC 325, DC; *IN Newman Ltd v Adlem* [2005] EWCA Civ 741, [2006] FSR 253. In this respect the transferor may be under a slightly higher duty than a third person in the same situation by virtue of an implied contractual duty arising between a vendor and purchaser of goodwill. A person who voluntarily sells the goodwill of a business may also have an implied duty to the purchaser not to solicit his former customers: *Trego v Hunt* [1896] AC 7, HL. No such duty can be implied where goodwill has been transferred compulsorily, e g by a sale by a trustee in bankruptcy of part of a bankrupt's assets: *Walker v Mottram* (1881) 19 ChD 355, CA.

10 *Rickerby v Reay* (1903) 20 RPC 380.

316. Licensing of goodwill and rights in marks, names etc. The use of names, marks and other indications of origin of goods or services may be licensed to others[1] but, as in relation to assignments[2], a person who licenses or purports to license the use of a name or mark in gross, namely without exercising quality control over, or otherwise retaining sufficient connection with, the goods or business concerned[3], may lose the right to sue third persons for passing off since the names or marks will have ceased in fact to denote the claimant's goods or business[4].

The Trade Marks Act 1994 has greatly liberalised the rights of the proprietor of a registered trade mark to license his mark as compared with the more restrictive registered user requirements under the Trade Marks Act 1938[5]. The provisions of the Trade Marks Act 1938 which deemed use by a registered user to be use by the proprietor for the purposes of both that Act and the common law[6] have, however, not been replaced in the Trade Marks Act 1994, thereby rendering it unclear whether licensing in gross of a registered trade mark will cause loss of the proprietor's concurrent common law right to sue for passing off[7].

1 An increasingly common form of licence of goodwill is a franchise agreement. Such an agreement is best regarded as a lease of goodwill by the franchisee to the franchisor, which reverts back to the franchisor (hopefully enhanced by the activities of the franchisee) at the end of the period of the franchise: *Kall Kwik Printing (UK) Ltd v Rush* [1996] FSR 114; *Dyno-Rod plc v Reeve* [1999] FSR 148. See also *Tin Tin Yat Pao (International) Ltd v Tin Tin Publication Development Ltd* [2000] IP & T 1109, HK CFA, [2000] 3 HKC 1.

2 As to the assignment of rights in marks and names see para 314 ante.

3 See *T Oertli AG v EJ Bowman (London) Ltd* [1959] RPC 1 at 7, HL, per Lord Reid. Cf *JH Coles Pty Ltd v Need* [1934] AC 82, 50 RPC 379, PC (where the franchising of the name of the plaintiff's store to the defendant on condition that the defendant acquired his goods from the plaintiff did not prevent the trade name from remaining distinctive of the plaintiff); *Tin Tin Yat Pao (International) Ltd v Tin Tin Publication Development Ltd* [2003] 3 HKC 1, [2000] IP & T 1109, HK CFA (where the licensor licensed the licensee to carry on the very business formerly carried on by the licensor for a limited period, the mark under which the mark was conducted remained distinctive of that business; in any event the licence contained an implied negative covenant that the licensee would not operate the business after the expiry of the licence).

4 *Thorneloe v Hill* [1894] 1 Ch 569, 11 RPC 61. See also *Star Industrial Co Ltd v Yap Kwee Kor (t/a New Star Industrial Co)* [1976] FSR 256 at 271, PC (criticising *Warwick Tyre Co Ltd v New Motor and General Rubber Co Ltd* [1910] 1 Ch 248, 27 RPC 161).

The law relating to the licensing of registered trade marks has now been relaxed freely to permit licensing (see para 136 ante) and this will not generally render the trade mark deceptive (see para 116 ante), but the old cases relating to invalidity of registered trade marks through licensing are still relevant to passing off. Before the Trade Marks Act 1938 the grant of a licence to use a trade mark for goods other than those of the proprietor invalidated a registered trade mark: *Bowden Wire Co Ltd v Bowden Brake Co Ltd* (1913) 30 RPC 580; affd (1914) 31 RPC 385, HL. Cf *Manus Akt v RJ Fullwood and Bland Ltd* [1949] Ch 208, [1949] 1 All ER 205, 66 RPC 71, CA (where it was held that a clause in a patent licence requiring the defendants to use the registered mark did not invalidate the mark). See also *Somerlite Ltd v Brown* (1934) 51 RPC 205 at 224, CA. Such licensing was held to be deceptive in the same way as an assignment divorced from the goodwill of the business was considered deceptive: *Bowden Wire Co Ltd v Bowden Brake Co Ltd* (1914) 31 RPC 385 at 392, HL, per Lord Loreburn. In other words, a licence of a trade mark was thought to be contrary to the very purpose of such a mark, namely to denote the trade origin of goods. After the passage of the Trade Marks Act 1938, however, it was held that the exercise of effective quality control was generally sufficient to save a licensed mark from invalidity: *Bostitch Trade Mark* [1963] RPC 183 at 195–197 (where there was a licence of design and know-how together with a trade mark licence and the trade mark was held valid), referred to with apparent approval in *Re American Greetings Corpn's Application* [1984] 1 All ER 426, [1984] 1 WLR 189, HL. Cf *Weston Trade Mark* [1968] RPC 167 (where the trade connection had long been destroyed and the mark denoted the goods of an ex-licensee); *British Petroleum Co Ltd v European Petroleum Distributors Ltd* [1968] RPC 54 (where the fact that a licence to a wholly-owned subsidiary was unregistered was held to be irrelevant); *GE Trade Mark* [1969] RPC 418 at 457, 459 per Graham J (on appeal [1970] RPC 339 at 372, CA, per Salmon LJ, and at 391–395 per Cross LJ) (where a joint venture company was subject to the quality control of the registered proprietor); and *McGREGOR Trade Mark* [1979] RPC 36 (where the trade mark was revoked because it had been licensed without any quality control).

5 See para 136 ante.

6 Ie the Trade Marks Act 1938 s 28(2) (repealed).

7 It is not clear whether the registered trade mark would be rendered invalid for this reason: see para 116 ante.

(iii) Misrepresentation

317. Nature of the misrepresentation. The earliest recognised type of misrepresentation in an action for passing off is a false representation that the defendant's goods are the claimant's[1]. The action also embraces a wide range of more subtle misrepresentations[2], such as:

(1) that the claimant's goods of one class or quality are of another class or quality[3];
(2) that the claimant's goods of a type or quality sold abroad which is different from the type or quality of the claimant's goods normally sold in the home market are goods of the type or quality normally sold in the home market[4];
(3) that secondhand or used goods of the claimant are new[5];
(4) that seconds or rejects of the claimant's manufacture to which the claimant has chosen not to apply his mark are goods of the claimant's ordinary manufacture[6];
(5) that stale or deteriorated goods are in the state of freshness in which purchasers would ordinarily receive the claimant's goods[7];
(6) that outmoded or superseded goods are the claimant's current production[8];

(7) that altered or adulterated goods are goods of the claimant's original manufacture[9];
(8) that goods are covered by the claimant's guarantee when they are not so covered[10]; or
(9) that the defendant's goods belong to a class of goods with a discrete reputation, when they do not[11].

The same principles as apply to goods apply to misrepresentations relating to businesses or services, so that the misrepresentation may be that the defendant's business is the business of the claimant[12], or is a branch or department or subsidiary company of the claimant[13], or that the defendant is authorised to act as agent for[14] the claimant or is a member of[15], or has some special relationship with, the claimant, such as that of authorised dealer[16].

A mere representation that the defendant is sponsored by the claimant or that the claimant provides financial support to the defendant is not sufficient to found an action for passing off, where there is no likelihood of persons to whom the representation has been made relying upon the exercise by the claimant of control over the defendant's trading standards or the quality of the defendant's goods or services[17]. On the other hand, a misrepresentation that a celebrity has endorsed the defendant's goods or services is actionable[18].

1 *Frank Reddaway & Co Ltd v George Banham & Co Ltd* [1896] AC 199 at 204, 13 RPC 218 at 224, HL, per Lord Halsbury. It is unnecessary for this purpose that purchasers should be aware of the actual identity of the claimant so long as they are induced to believe that the defendant's goods are from a source which they recognise and which is in fact the claimant: see para 318 post.

2 However, a false representation cannot found an action in passing off unless it relates to the claimant's goods: *Schulke & Mayr (UK) Ltd v Alkapharm (UK) Ltd* [1999] FSR 161; and see para 319 note 12 post.

3 *Teacher v Levy* (1905) 23 RPC 117; *AG Spalding & Bros v AW Gamage Ltd* (1915) 32 RPC 273, HL.

4 *Champagne Heidsieck & Cie v Scotto and Bishop* (1926) 43 RPC 101 (labels on the plaintiff's continental quality champagne bottles were replaced with imitations of the labels on the plaintiff's English quality champagne). It has been held that a defendant can make an implied representation to this effect even when he does no more than import goods and sell them under the marks and labels which the claimant himself has applied to them, if the claimant sells differing qualities of goods under similar labels in territorially distinct markets: *Colgate-Palmolive Ltd v Markwell Finance Ltd* [1989] RPC 497, CA; *Microsoft Corpn v Computer Future Distribution Ltd* [1998] All ER (D) 78; cf *Revlon Inc v Cripps and Lee Ltd* [1980] FSR 85 at 112, CA (where Templeman LJ held that there could be no passing off when products manufactured, named, labelled and put into circulation by a member of the plaintiff's group of companies were sold by the defendants without any alteration to the contents, name or label). As to parallel imports see para 347 post.

5 *Gillette Safety Razor Co and Gillette Safety Razor Ltd v Franks* (1924) 41 RPC 499; *Morris Motors Ltd v Lilley (t/a G and L Motors)* [1959] 3 All ER 737, [1959] 1 WLR 1184. The circumstances in which goods are sold, such as the nature of the trade outlet, and the appearance of the goods themselves, may, however, mean that customers would realise the goods were secondhand, in which case there is no passing off: *General Electric Co Ltd v Pryce's Stores* (1933) 50 RPC 232.

6 *Britains Ltd v M Morris & Co (London) Ltd* [1961] RPC 217. This extends to excess or unauthorised goods manufactured by a contractor which the trade mark owner has not adopted as his own: *Primark Stores Ltd v Lollypop Clothing Ltd* [2001] FSR 637, [2000] All ER (D) 2099.

7 *Wilts United Dairies Ltd v Thomas Robinson Sons & Co Ltd* [1958] RPC 94, CA.

8 See *Harris v Warren and Philips* (1918) 35 RPC 217; *Paquin Ltd v John Barker & Co Ltd* (1934) 51 RPC 431 (where such a misrepresentation was held to be not made out on the facts).

9 *Westinghouse Brake and Saxby Signal Co Ltd v Varsity Eliminator Co Ltd* (1935) 52 RPC 295; *Rolls-Royce Motors Ltd v Zanelli* [1979] RPC 148 (revsd [1979] RPC 152, CA).

10 *Morris Motors Ltd v Lilley (t/a G and L Motors)* [1959] 3 All ER 737, [1959] 1 WLR 1184; *Sony KK v Saray Electronics (London) Ltd* [1983] FSR 302, CA.

11 See para 319 post.

12 *Joseph Rodgers & Sons Ltd v WN Rodgers & Co* (1924) 41 RPC 277 at 291; *Law Society of England and Wales v Griffiths* [1995] RPC 16.

13 *Walter v Ashton* [1902] 2 Ch 282; *Lloyd's v Lloyd's (Southampton) Ltd* (1912) 29 RPC 433, CA; *Ewing v Buttercup Margarine Co Ltd* [1917] 2 Ch 1, 34 RPC 232, CA; *FW Woolworth & Co Ltd v Woolworths*

(Australasia) Ltd (1930) 47 RPC 337 (subsidiary); *Kimberley-Clark v Fort Sterling Ltd* [1997] FSR 877; *Dawnay Day & Co Ltd v Cantor Fitzgerald International* [2000] RPC 669 at 701, CA (member of corporate group).

14 *Wheeler and Wilson Manufacturing Co v Shakespear* (1869) 39 LJ Ch 36.

15 *Society of Accountants and Auditors v Goodway and London Association of Accountants Ltd* [1907] 1 Ch 489.

16 *Morris Motors Ltd v Lilley (t/a G and L Motors)* [1959] 3 All ER 737, [1959] 1 WLR 1184; *Sony KK v Saray Electronics (London) Ltd* [1983] FSR 302, CA.

17 *Harrods Ltd v Harrodian School Ltd* [1996] RPC 697, CA; cf *Tavener Rutledge Ltd v Trexapalm Ltd* [1977] RPC 275 at 280 per Walton J.

18 *Irvine v TalkSport Ltd* [2003] EWCA Civ 423, [2003] 2 All ER 881. As to merchandising of names etc see para 340 post.

318. Claimant's identity need not be known. There is no necessity in an action for passing off that the persons deceived should be aware of the claimant's identity, so long as they are accustomed to the claimant's goods or services and are induced by the defendant's misrepresentation to believe that the defendant's goods or services come from the accustomed source[1].

1 *Birmingham Vinegar Brewery Co Ltd v Powell* [1897] AC 710, 14 RPC 720, HL; *William Edge & Sons Ltd v William Niccolls & Sons Ltd* [1911] AC 693 at 705, 28 RPC 582 at 593–594, HL; *T Oertli AG v EJ Bowman (London) Ltd* [1957] RPC 388 at 397, CA, per Jenkins LJ (affd [1959] RPC 1, HL); *F Hoffmann-La Roche & Co AG v DDSA Pharmaceuticals Ltd* [1972] RPC 1, CA (coloured drug capsules); *United Biscuits (UK) Ltd) v Asda Stores Ltd* [1997] RPC 513 at 533 per Robert Walker J. See also *Copydex Ltd v Noso Products Ltd* (1952) 69 RPC 38 (where a rival glue was advertised 'as shown on television', referring to a programme in which the plaintiff's product had been used but the plaintiff's name not mentioned). See also 'reverse' passing off; and para 320 post.

319. Misuse of descriptive terms. It was long considered essential in an action for passing off that the misrepresentation should relate specifically to the claimant[1], in the sense of representing that the goods or business concerned were his goods or business, or at least in some way connected with or guaranteed by him[2], as opposed to being a misrepresentation about the nature or quality of the defendant's goods or services which did not imply that the claimant was in any way responsible for them or for the defendant[3]. Thus no action lay where the defendant falsely asserted that his goods were as good as or better than those of the claimant[4], or misapplied a descriptive term to his own goods which was genuinely descriptive of the claimant's goods[5].

It has, however, been decided by the House of Lords[6] that a defendant who falsely applies to his goods a descriptive appellation to which they are not entitled is liable to an action for passing off at the suit of persons whose business or goodwill will be damaged by the misuse of the descriptive appellation concerned[7]. In such cases the claimant must show that the appellation has a sufficiently definite meaning[8], which denotes a particular group of products, and that those products have a discrete reputation as a group[9], such that the appellation has a significance greater than its literal, descriptive[10] meaning[11]. Thus it remains the law that a representation which does not relate to the claimant's goods or services, even in this extended sense of relating to them as part of such a group with a discrete reputation, cannot found an action in passing off[12].

In the classic form of passing off action, the only person entitled to bring the action is the person to whom the name, mark or other indicium misused by the defendant refers, so that other persons legitimately trading in goods bearing that name or mark, such as exclusive importers or distributors, cannot maintain an action for passing off even though the defendant's activities cause damage to their trade[13]. Where, however, there is passing off of a product which has a character intrinsic to and inseparable from its descriptive name, for example 'advocaat'[14], such a limitation seems inappropriate in view of the non-proprietary nature of the name or mark misused, and it appears that any person manufacturing or dealing in the genuine product whose business or goodwill

will suffer more than minimal damage as a result of the defendant's activities may maintain an action[15]. Indeed, the decision of the House of Lords in the 'advocaat' case[16] may open the way for persons other than the proprietor of the goodwill attached to a mark or name to sue in respect of a misuse of the mark or name which is damaging to them[17].

1 This was required whether or not his actual identity was known: see para 318 ante.

2 As to the nature of the misrepresentation see para 317 ante.

3 *Native Guano Co Ltd v Sewage Manure Co* (1889) 8 RPC 125, HL. What mattered was that goods were accepted on the faith of the plaintiff's reputation: see *HP Bulmer Ltd and Showerings Ltd v J Bollinger SA and Champagne Lanson Père et Fils* [1978] RPC 79 at 117, CA, per Goff LJ. Cases such as *AG Spalding & Bros v AW Gamage Ltd* (1915) 32 RPC 273, HL (passing off one quality of the plaintiff's own goods as another) and *Wilts United Dairies Ltd v Thomas Robinson Sons & Co Ltd* [1958] RPC 94, CA (passing off old goods of the plaintiffs as fresh) did not represent a departure from this general principle, since, in effect, the defendant was attributing to or placing in the mouth of the plaintiff a statement, express or implied, as to the origin, class or quality of goods.

4 *White v Mellin* [1895] AC 154, HL; *Hubbuck & Sons Ltd v Wilkinson, Heywod and Clark Ltd* [1899] 1 QB 86, CA; cf *Masson Seeley & Co Ltd v Embosotype Manufacturing Co* (1924) 41 RPC 160. See also *Irving's Yeast-Vite Ltd v Horsenail* (1934) 51 RPC 110, HL. An action for trade libel may, however, lie where the defendant falsely and maliciously disparages the claimant's goods in a way likely to result in pecuniary damage: see LIBEL AND SLANDER vol 28 (Reissue) para 277 et seq.

5 *Canham v Jones* (1813) 2 Ves & B 218; *Native Guano Co Ltd v Sewage Manure Co* (1889) 8 RPC 125, HL.

6 Ie in *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] AC 731, [1979] 2 All ER 927, [1980] RPC 31, HL.

7 *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] AC 731, [1979] 2 All ER 927, [1980] RPC 31, HL (approving *Bollinger v Costa Brava Wine Co Ltd* [1960] Ch 262, [1959] 3 All ER 800, [1960] RPC 16 (champagne); *Vine Products Ltd v Mackenzie & Co Ltd* [1969] RPC 1 (sherry); *John Walker & Sons Ltd v Henry Ost & Co Ltd* [1970] 2 All ER 106, [1970] 1 WLR 917, [1970] RPC 489 (whisky)). See also *Scotch Whisky Association v JD Vintners Ltd* [1997] Eu LR 446 (Scotch whisky); *Chocosuisse Union des Fabricants Suisses de Chocolat v Cadbury Ltd* [1999] RPC 826, CA (Swiss chocolate); *Matthew Gloag & Son Ltd v Welsh Distillers Ltd* [1998] FSR 718, [1998] ETMR 504 (arguable application of 'Welsh Whisky' to Scotch whisky could be restrained as reverse passing off: see para 320 post). As to descriptive names see also para 336 post.

8 *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] AC 731 at 739, 754, [1979] 2 All ER 927 at 930, 942, [1980] RPC 31 at 91, 104, HL; *Consorzio del Prosciutto di Parma v Marks & Spencer plc* [1991] RPC 351 at 364, CA ('Parma ham') (where it was alleged that Parma ham pre-sliced and packaged would deteriorate to an extent that it could no longer be classed as genuine Parma ham; allegation struck out); *Chocosuisse Union des Fabricants Suisses de Chocolat v Cadbury Ltd* [1998] RPC 117 at 129 per Laddie J (affd [1999] RPC 826 at 832, CA, per Chadwick LJ). See also *Lang Bros Ltd v Goldwell Ltd* [1977] FSR 353, Ct of Sess (where the meaning implied by a Scottish-looking get-up of a drink consisting of Scotch whisky mixed with English ginger wine was insufficiently definite).

9 The necessary reputation involves some perceived quality; it does not matter if there are other goods outside the class which have identical characteristics or have the same or higher quality: *Chocosuisse Union des Fabricants Suisses de Chocolat v Cadbury Ltd* [1998] RPC 117 at 128 per Laddie J; affd [1999] RPC 826, CA.

10 Thus in the case of geographical appellations, if the description means no more than that the goods come from that place, there is no reputation to protect: see *Chocosuisse Union des Fabricants Suisses de Chocolat v Cadbury Ltd* [1998] RPC 117 at 129 per Laddie J (giving the example of English pencils or French ball-bearings); affd [1999] RPC 826, CA. The converse of this is that it would be passing off to use the appellation which, although true in its geographical sense, falsely suggested that the goods were of the class in question (e g it would be passing off to call wine 'champagne' even if from the Champagne region, if it was not made in accordance with the traditional recipe).

11 *Chocosuisse Union des Fabricants Suisses de Chocolat v Cadbury Ltd* [1998] RPC 117 at 129 per Laddie J; affd [1999] RPC 826 at 832, CA, per Chadwick LJ. See also *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] AC 731 at 742, [1979] 2 All ER 927 at 933, [1980] RPC 31 at 93, HL, per Lord Diplock (for reasons of policy the action for passing off is not necessarily available in all types of misrepresentation in the course of trade which may cause damage to the business or goodwill of rival traders).

The status of cases such as *Combe International Ltd v Scholl (UK) Ltd* [1980] RPC 1 (where it was held arguable that a misrepresentation that the defendant's goods were the same as the claimant's could give the claimant a cause of action) is now unclear. See also note 12 infra.

12 *Schulke & Mayr (UK) Ltd v Alkapharm (UK) Ltd* [1999] FSR 161 (no cause of action based on misrepresentation that the defendant's goods have some quality that they do not in fact possess). It follows

that previous decisions that false claims to medals, testimonials or praise in fact belonging to the claimant did not give rise to an action for passing off, unless the claims led to the defendant's goods or business being taken as the claimant's, may remain good law: see *Batty v Hill* (1863) 1 Hem & M 264 (claim to Prize Medal from 1862 Exhibition); *National Starch Manufacturing Co v Munn's Patent Maizena and Starch Co* [1894] AC 275, 11 RPC 281, PC; *Tallerman v Dowsing Radiant Heat Co* [1900] 1 Ch 1, CA (where a commendation in a medical journal of the plaintiff's system of treatment was falsely applied to the defendant's); *Adolph Frankau & Co Ltd v Pflueger* (1910) 28 RPC 130; *Accumulator Industries Ltd v CA Vandervell & Co* (1912) 29 RPC 391; *Cambridge University Press v University Tutorial Press* (1928) 45 RPC 335 (where a false representation that the defendant's book was prescribed for university examinations was not actionable as passing off). See, however, *SDS Biotech UK Ltd v Power Agrichemicals Ltd* (1989) [1995] FSR 797; *Hodge Clemco Ltd v Airblast Ltd* [1995] FSR 806 (both holding it arguable that a misrepresentation that the defendant had the approval of a regulatory body could found an action for passing off).

13 *Richards v Butcher* (1890) 7 RPC 288 (importers of Heidsieck champagne not entitled to maintain an action); *Dental Manufacturing Co Ltd v C De Trey & Co* [1912] 3 KB 76, 29 RPC 617, CA.

14 Ie the type of passing off exemplified by the facts of *Erven Warnink BV v Townend & Sons (Hull) Ltd* [1979] AC 731, [1979] 2 All ER 927, [1980] RPC 31, HL.

15 *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] AC 731 at 748, [1979] 2 All ER 927 at 937, [1980] RPC 31 at 98, HL, per Lord Diplock.

16 Ie *Erven Warnink BV v Townend & Sons (Hull) Ltd* [1979] AC 731, [1979] 2 All ER 927, [1980] RPC 31, HL.

17 There appears to be little difference in principle between a class of traders who deal in goods originating from a particular manufacturer and bearing his trade mark, whose business and goodwill may suffer from a third person falsely applying the mark to goods not originating from that manufacturer, and a class of traders dealing in goods under a name which describes their geographical origin or qualities. As to the bringing of actions by trade associations see para 310 note 5 ante; and as to descriptive and geographical names see para 336 post.

320. 'Reverse' passing off. So-called 'reverse' passing off occurs when a defendant passes off the claimant's goods or services as his own[1]. Such a misrepresentation normally requires more than the mere application of the defendant's trade marks to the claimant's goods, since dealers in the ordinary course of trade apply their marks to goods made by others and merely doing so does not of itself imply that those goods are manufactured by the dealer. Where such a misrepresentation is made, it may be doubtful whether it falls within the scope of the action for passing off, and, if so, it is actionable, if at all, only as a malicious falsehood[2]. A case which at first sight appears to be reverse passing off may, however, in fact be a subtle form of ordinary passing off. This can occur when the defendant represents that goods made by the claimant were made by himself in order to pass off his business as a dealer as a branch of a well known business which manufactures the parts in which he deals[3]. Alternatively, the defendant may represent that some of the claimant's goods are made by himself in order to gain credit for other goods made by himself[4], in effect passing off his own goods as coming from the same manufacturing source as the claimant's goods, even though the claimant's connection with those goods is not known[5]. In such a case the defendant's own activities in showing to his customers the claimant's goods (or photographs of them) may create for the claimant a goodwill which he is entitled to protect as the true, although unidentified, manufacturer of the goods[6].

1 See *Henderson & Son v Munro & Co* (1905) 7 F 636, Ct of Sess (where the issue of a trade circular likely to induce the belief that work in fact done by the plaintiff was done by the defendant was restrained). Reverse passing off may also be committed when the defendant applies a false, descriptive appellation to goods which ought to bear the appellation which the claimant is entitled to protect under the principles laid down in *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] AC 731, [1979] 2 All ER 927, [1980] RPC 31, HL (see para 319 ante): see *Matthew Gloag & Son Ltd v Welsh Distillers Ltd* [1998] FSR 718, [1998] ETMR 504 (arguable that Scotch whisky could be passed off as 'Welsh whisky').

2 See LIBEL AND SLANDER vol 28 (Reissue) para 274 et seq.

3 *AGS Manufacturing Co Ltd v Aeroplane General Sundries Co Ltd* (1918) 35 RPC 127, CA (where the defendants advertised that the letters AGS by which the plaintiff's parts were known stood for their own name).

4 Eg by using the claimant's goods as a sample to sell his own goods.

5 See *William Edge & Sons Ltd v William Niccolls & Sons Ltd* [1911] AC 693 at 705, 709, 28 RPC 582 at 594, 596, HL (where the defendants applied a label bearing their name to goods identical in get-up to the plaintiff's goods which were sold with no name on them, causing the public to believe that the defendants were the manufacturers of the goods which had long been on the market and that they had only now disclosed their name). See also *Copydex Ltd v Noso Products Ltd* (1952) 69 RPC 38 (where a rival glue was advertised 'as shown on television', referring to a programme in which the plaintiff's product had been used but the plaintiff's name not mentioned). It is generally not necessary that the identity of the claimant is known in order for him to sustain an action for passing off: see para 318 ante.

6 *British Conservatories Ltd v Conservatories Custom Built Ltd* [1989] RPC 455, CA (where the defendant showed to customers photographs of the conservatories in fact built by the claimant, claiming that they were samples of work done by the defendant). For a similar case see *Plomien Fuel Economiser Co Ltd v National School of Salesmanship Ltd* (1943) 60 RPC 209 at 213, CA.

321. Manner in which the misrepresentation may be effected. The misrepresentation in an action for passing off may be effected by an express statement[1], but more commonly it is implied in the defendant's use of a mark, trade name or get-up with which the goods or business of another are associated in the minds of the relevant class of the trade or public[2]. Misrepresentation by the use of similar get-up has a wide ambit, extending sometimes to the shape of goods themselves[3] or to the use of similar decorations for premises[4], similar livery for vehicles and employees[5], similar advertising slogans or themes[6], similar telephone numbers[7] or sound effects[8].

Other ways in which the misrepresentation may be effected are by substituting other goods in response to an order for the claimant's goods in circumstances when it is not obvious to the customer receiving the goods that substitution has taken place[9], or by physically annexing or associating the defendant's goods to or with the claimant's goods[10], or by substituting a service or process employing other materials or machinery in response to a demand for the claimant's service or process[11], or by an agent who has been selling his principal's goods or services introducing new lines of goods or services of his own in such a way as to represent that they are from the same source[12].

Implied misrepresentations may in some circumstances arise simply by customers assuming, in the absence of any indication to the contrary, that goods have passed through the normal channels of trade[13], or that goods are new, unadulterated or unaltered[14].

Where a trader who has made no misrepresentation to his intended customer realises from something the customer said or did that the customer is under a self-induced misapprehension that the trader is, or is connected with, a competitor, failure to correct that misapprehension amounts to misrepresentation[15].

It is important to note that the misrepresentation in an action for passing off may be, and often is, effected indirectly, where the defendant places into the hands of others goods or articles calculated to deceive ultimate purchasers of those goods, even where no misrepresentation is made to the persons with whom the defendant immediately deals[16].

1 Eg a statement that goods are made by a named claimant.

2 *Birmingham Vinegar Brewery Co Ltd v Powell* [1897] AC 710 at 711–712, 14 RPC 720 at 727–728, HL, per Lord Halsbury LC; *AG Spalding & Bros v AW Gamage Ltd* (1915) 32 RPC 273 at 284, HL, per Lord Parker. Members of the relevant trade or public who are familiar with the claimant's use of a name, mark or get-up will infer from the defendant's use of a name, mark or get-up which is the same or similar that the goods or business concerned are the same or connected, and in this sense the representation is implied rather than express. Since this kind of misrepresentation arises by association with the claimant's mark or other indicium, it is unnecessary that the persons deceived should know the actual identity of the claimant with whose use of the name, mark or get-up they have been familiar: see para 300 ante. However, it is necessary to establish that persons who are familiar with the claimant's mark will be deceived: *HFC Bank plc v Midland Bank plc* [2000] FSR 176. See also *Antec International Ltd v South Western Chicks (Warren) Ltd* [1998] FSR 738.

3 As to passing off by similarity of get-up or shape of goods see para 338 post.
4 See *Laraine Day Ltd v Kennedy* (1952) 70 RPC 19.
5 *Knott v Morgan* (1836) 2 Keen 213 (imitation of the green livery and gold hatbands of the plaintiff's omnibus coachmen and conductors restrained); *W and G Du Cros Ltd v Gold* (1912) 30 RPC 117 (get-up of taxis).
6 *Cadbury Schweppes Pty Ltd v Pub Squash Co Pty Ltd* [1981] 1 All ER 213, [1981] 1 WLR 193, [1981] RPC 429, PC.
7 *Law Society of England and Wales v Griffiths* [1995] RPC 16.
8 *BBC v TalkSport Ltd* [2001] FSR 53 (claim that defendant broadcaster was misrepresenting itself as broadcasting 'live' from sports events by use of sound effects compromised on appeal by giving of undertakings).
9 *Bovril Ltd v Bodega Co Ltd* (1916) 33 RPC 153; *Pearson Bros v Valentine & Co* (1917) 34 RPC 267 (where the defendants supplied mackintoshes bearing their own label in response to orders for the plaintiff's mackintoshes and it was held that it was not sufficient to leave it to the customer to examine the goods with care); *Thomas French & Sons Ltd v John Rhind & Sons Ltd* [1958] RPC 82; *Showerings Ltd v Blackpool Tower Co Ltd* [1975] FSR 40 (substitute drinks served in bar); *Havana Cigar and Tobacco Factories Ltd v Oddenino* [1924] 1 Ch 179, 41 RPC 47, CA (where it was held that as 'Corona cigar' had an ambiguous meaning, the defendant was under a duty to inquire whether a purchaser wanted the plaintiffs' cigar or a cigar of corona type). See also *Showerings Ltd v Entam Ltd* [1975] FSR 45. Where it is immediately obvious to the customer on receipt of a product that a substitution has occurred, it seems that there is no passing off as the necessary element of misrepresentation is not present, whatever may be the contractual remedies as between customer and supplier: *Lever Bros Ltd v Masbro' Equitable Pioneers Society Ltd* (1912) 29 RPC 225 at 232–233, CA, per Fletcher Moulton LJ; cf *Purefoy Engineering Co Ltd v Sykes Boxall & Co Ltd* (1955) 72 RPC 89 at 93, CA (where it appears to be suggested that it would have made no difference if catalogues accompanying parts supplied in response to orders for the plaintiff's part numbers had made it clear that the parts were not the plaintiffs' because the damage to the plaintiffs would by then have been done). It is, however, hard to see what, if any, misrepresentation is involved and therefore what the cause of action is, even if the claimants suffer damage.
10 *Illustrated Newspapers Ltd v Publicity Services (London) Ltd* [1938] Ch 414, [1938] 1 All ER 321, 55 RPC 172; *Mail Newspapers plc v Insert Media Ltd* [1987] RPC 521 (both cases where the defendant's advertising supplement was inserted into the plaintiff's magazines); *Morny Ltd v Ball and Rogers (1975) Ltd* [1978] FSR 91 (where other goods were included in a gift package with the plaintiff's goods).
11 *Sales Affiliates Ltd v Le Jean Ltd* [1947] Ch 295, [1947] 1 All ER 287, 64 RPC 103 (hair-waving process).
12 *International Scientific Communications Inc v Pattison* [1979] FSR 429.
13 *Sony KK v Saray Electronics (London) Ltd* [1983] FSR 302, CA. See also *Seiko Time Canada Ltd v Consumers Distributing Co Ltd* (1980) 112 DLR (3d) 500. The sale of the goods of a particular manufacturer does not, however, of itself normally carry with it a representation that the goods have passed through a particular trade channel, such as a sole distributor: *Dental Manufacturing Co Ltd v C De Trey & Co* [1912] 3 KB 76 at 87, 29 RPC 617 at 625, CA, per Fletcher Moulton LJ.
14 See the cases cited in the notes to para 317 ante.
15 *British Sky Broadcasting Group plc v Sky Home Services Ltd* [2006] EWHC 3165 (Ch), [2007] FSR 321.
16 See para 331 post.

322. Misrepresentation must be material. The misrepresentation must be material, in the sense of being likely to influence the actions of the persons to whom it is made[1]. A misrepresentation as to the origin of goods is generally sufficient even though the defendant's goods are not in fact inferior to the claimant's[2]. A mere representation that the claimant sponsors or financially supports the defendant, without any belief by the public that it can rely on quality control exercised by the claimant, is not material[3]. On the other hand, a misrepresentation that a celebrity has endorsed the defendant's goods or services is actionable[4].

1 *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 All ER 873 at 889, [1990] 1 WLR 491 at 510, [1990] RPC 341 at 417, HL, per Lord Jauncey of Tullichettle ('Jif Lemon'); *Hodgkinson and Corby Ltd v Wards Mobility Services Ltd* [1994] 1 WLR 1564, [1995] FSR 169. Any confusion must be more than momentary and inconsequential: *Clark v Associated Newspapers Ltd* [1998] 1 All ER 959 at 966, [1998] RPC 261 at 271 per Lightman J; *HFC Bank plc v Midland Bank plc* [2000] FSR 176. As to the nature of the misrepresentation see para 317 ante; and as to the persons to whom it is made see para 325 post.
2 *Singer Manufacturing Co v Loog* (1882) 8 App Cas 15 at 29–30, HL, per Lord Blackburn. This has been justified on the basis that the customer is likely to rely upon the assurance of quality given to him by the claimant's connection with the goods.

3 *Harrods Ltd v Harrodian School Ltd* [1996] RPC 697, CA; and see also *Tavener Rutledge Ltd v Trexapalm Ltd* [1977] RPC 275 at 280 per Walton J.

4 *Irvine v TalkSport Ltd* [2002] EWHC 367 (Ch), [2002] 2 All ER 414, [2002] EMLR 679; affd [2003] EWCA Civ 423, [2003] 2 All ER 881. As to merchandising of names generally see para 340 post.

323. Misrepresentation is an essential element. The existence of a misrepresentation is an essential element of the action for passing off, so that activities which in some sense can be regarded as taking advantage of the claimant's trading reputation and goodwill, such as copying the claimant's goods of a novel character[1] or copying his novel system of advertising[2], or selling goods or services by reference to him or his goods or services by saying that they are similar or a substitute for them[3], or an accessory to be used in conjunction with them[4], are not actionable in English law in the absence of a misrepresentation, even if such conduct might in other jurisdictions be actionable as unfair competition[5].

Representations to the effect that the defendant's goods or services are equivalent to or a substitute for the claimant's are often made, not expressly, but by the adoption of a similar get-up[6] or similar advertising methods or slogans[7], and this is not actionable so long as the goods are sufficiently distinguished by other means.

The use of a similar name or get-up in order to satirise or disparage the claimant or his goods or business is not actionable as passing off[8] in the absence of a misrepresentation that the defendant's goods or business are those of the claimant even if such conduct is likely to be damaging or hurtful to the claimant[9].

1 *Hodgkinson and Corby Ltd v Wards Mobility Services Ltd* [1994] 1 WLR 1564, [1995] FSR 169 (there is no tort of copying, nor of taking a rival's market or customers, neither being susceptible of ownership).

2 *Wertheimer v Stewart, Cooper & Co* (1906) 23 RPC 481.

3 *Leather Cloth Co Ltd v American Leather Cloth Co Ltd* (1865) 11 HL Cas 523 at 540–541; *Singer Manufacturing Co v Loog* (1882) 8 App Cas 15, HL ('Singer system' sewing machines); *Apollinaris Co Ltd v Duckworth & Co* (1906) 23 RPC 540, CA (salts for making up simulated mineral waters).

4 *GH Gledhill & Sons Ltd v British Perforated Toilet Paper Co* (1911) 28 RPC 429; on appeal 28 RPC 714, CA.

5 See *Cadbury Schweppes Pty Ltd v Pub Squash Co Pty Ltd* [1981] 1 All ER 213, [1981] 1 WLR 193, [1981] RPC 429, PC; but cf *Arsenal Football Club plc v Reed* [2003] EWCA Civ 696 at [70]–[71], [2003] 3 All ER 865 at [70]–[71] per Aldous LJ (obiter).

6 See *Fisons Ltd v EJ Godwin (Peat Industries) Ltd* [1976] RPC 653; *Tetrosyl Ltd v Silver Paint & Lacquer Co Ltd* [1980] FSR 68, CA.

7 *Cadbury Schweppes Pty Ltd v Pub Squash Co Pty Ltd* [1981] 1 All ER 213, [1981] 1 WLR 193, [1981] RPC 429, PC.

8 In some circumstances this may be actionable as a trade libel, or, if defamatory, as libel or slander: see LIBEL AND SLANDER vol 28 (Reissue) paras 55, 277 et seq.

9 *Miss World (Jersey) Ltd v James Street Productions Ltd* [1981] FSR 309, CA ('Miss Alternative World' ugliness competition); cf *New Zealand Olympic and Commonwealth Games Association Inc v Telecom New Zealand Ltd* [1996] FSR 757, NZ HC (defendant's advertisement contained a play on the Olympic symbol). As to the protection of the Olympic symbol in the United Kingdom see para 492 et seq ante.

324. Confusion without any misrepresentation. An actionable misrepresentation normally entails confusion or the likelihood of confusion on the part of a relevant section of the trade or public[1]. The existence of such confusion arising from the defendant's activities does not, however, necessarily mean that there is an actionable misrepresentation[2]. For example, when a new retail shop is set up close to an existing shop in the same line of business, some confusion is likely to be caused by that very fact, but confusion arising from that cause alone is to be disregarded for the purpose of determining whether there is a misrepresentation[3]. Similarly, where the public is familiar with the claimant's goods or services of a particular kind, substantial numbers of persons may assume that competing goods or services offered by a newcomer are the goods or services of the claimant with whom they have hitherto been familiar, but confusion

arising merely from this cause is to be disregarded[4]. Cases of this kind often arise when the claimant has been the first to introduce to the market goods or services of a novel character[5]. In such circumstances the claimant may have used and adopted words descriptive of his goods or services which, while he is the sole manufacturer or supplier, must necessarily denote these goods or services, but this of itself does not make the defendant's use of the words in a descriptive manner a misrepresentation even if a degree of confusion results[6]. It may be necessary to distinguish confusion which arises because the defendant adopts utilitarian features of the claimant's goods or services, as opposed to features which are a capricious addition to the article concerned[7], although there is no absolute rule that a claimant cannot rely on confusion arising from the adoption of utilitarian features if he can discharge the heavy factual burden of showing that the public regards those features as an indication of trade origin and is moved to purchase the defendant's goods because of the erroneous belief engendered by the defendant's adoption of those features[8]. Confusion can also arise, without there being a misrepresentation, where a defendant has a special right to use a name either by reason of its being his own name[9] or by reason of established concurrent use[10]. In cases of this kind the courts have proceeded on the basis that the defendant is doing no more than making a truthful statement of fact which he has a legitimate interest in making[11], and the fact that it is misapprehended by some persons is not the defendant's responsibility unless he does something additional to increase the risk of confusion[12]; but these cases have been explained on the basis that there is a misrepresentation but the defendant has a special privilege to make it[13].

1 As to the elements of the action for passing off see para 304 ante.

2 See *My Kinda Town Ltd v Soll* [1983] RPC 407 at 418, CA, per Oliver LJ; *Barnsley Brewery Co Ltd v RBNB* [1997] FSR 462 at 467 per Robert Walker J; *HFC Bank plc v Midland Bank plc* [2000] FSR 176 at 182–183, 201 per Lloyd J; *Premier Luggage & Bags Ltd v Premier Company (UK) Ltd* [2002] EWCA Civ 387 at [37], [2003] FSR 69 at [37] per Chadwick LJ. The distinction between confusion and deception is elusive: *Reed Executive plc v Reed Business Information Ltd* [2004] EWCA Civ 159 at [91], [111], [2004] RPC 767 at [91], [111], [2004] IP & T 1049 at [91], [111] per Jacob LJ. The difference is that deception is really likely to damage the claimant's goodwill: *Phones 4U Ltd v Phone4u.co.uk Internet Ltd* [2006] EWCA Civ 244 at [19], [2007] RPC 83 at [19] per Jacob LJ.

3 *Laraine Day Ltd v Kennedy* (1952) 70 RPC 19 at 22.

4 *Jones Bros Ltd v Anglo-American Optical Co* (1912) 24 RPC 361 at 369, CA (where Fletcher Moulton LJ said that to establish a misrepresentation it must be shown that some aspect of the name, style, get-up etc adopted by the defendant, over and above the mere similarity of the goods, is likely to influence purchasers). See, however, *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 All ER 873, [1990] 1 WLR 491, [1990] RPC 341, HL ('Jif Lemon') (where it was considered that the fact that the plaintiff had enjoyed a de facto monopoly for many years in small lemon-shaped containers for lemon juice imposed a greater duty on newcomers to that market to take steps to distinguish their goods from those of the plaintiff); *British Sky Broadcasting Group plc v Sky Home Services Ltd* [2006] EWHC 3165 (Ch), [2007] FSR 321 (which held that where a de facto monopoly existed the competitor was not subjected to a free-standing duty to distinguish his product from any connection with the monopoly, but he was obliged to take such care as would prevent his chosen marketing method from conveying a misrepresentation to the effect that there was such a connection). As to passing off by similarity of get-up or of the articles themselves see para 338 post.

5 See *Compatibility Research Ltd v Computer Psyche Co Ltd* [1967] RPC 201 at 206 (a case which concerned a computer dating bureau, where Stamp J said that a trader who sets up a new trade has no monopoly of that trade or of the manner of carrying it on, and he cannot stop a rival trader copying his ideas, notwithstanding that confusion will be caused); *My Kinda Town Ltd v Soll* [1983] RPC 407, CA.

6 See *Cellular Clothing Co Ltd v Maxton and Murray* [1899] AC 326, HL; *British Vacuum Cleaner Co Ltd v New Vacuum Cleaner Co Ltd* [1907] 2 Ch 312, 24 RPC 641; *My Kinda Town Ltd v Soll* [1983] RPC 407 at 420, CA, per Oliver LJ. As to special considerations applying where what is complained of is the use of descriptive words, or words which a claimant has invented as a name for a new product or service, see para 337 post.

7 *JB Williams Co v H Bronnley & Co Ltd* (1909) 26 RPC 765 at 773, CA, per Fletcher Moulton LJ. Such an addition is much more likely to be taken and relied upon as a badge of trade origin than is a utilitarian feature.

8 *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 All ER 873, [1990] 1 WLR 491, [1990] RPC 341, HL ('Jif Lemon'); *Hodgkinson and Corby Ltd v Wards Mobility Services Ltd* [1994] 1 WLR 1564, [1995] FSR 169.

9 *Turton v Turton* (1889) 42 ChD 128, CA. As to the right of a person to make use of his own name see para 344 post.

10 *Habib Bank Ltd v Habib Bank AG Zurich* [1981] 2 All ER 650, [1981] 1 WLR 1265, [1982] RPC 1, CA. As to concurrent use see para 346 post.

11 Eg that a man named John Turton is carrying on business with his two sons as partners: see *Turton v Turton* (1889) 42 ChD 128 at 135 per Lord Esher MR.

12 *Marengo v Daily Sketch and Daily Graphic Ltd* (1946) [1992] FSR 1 at 2, CA, per Lord Greene MR ('No one is entitled to be protected against confusion as such. Confusion may result from one collision of two independent rights or liberties, and where this is the case, neither party can complain; they must put up with the results of the confusion as one of the misfortunes which occur in life'); revsd on the facts sub nom *Marengo v Daily Sketch and Sunday Graphic Ltd* [1948] 1 All ER 406, 65 RPC 242, HL. However, once a substantial number of people are misled there is passing off: *Reed Executive plc v Reed Business Information Ltd* [2004] EWCA Civ 159 at [111], [2004] RPC 767 at [111], [2004] IP & T 1049 at [111] per Jacob LJ.

13 See *Joseph Rodgers & Sons Ltd v WN Rodgers & Co* (1924) 41 RPC 277 at 291 per Romer J. Cf *Phones 4U Ltd v Phone4u.co.uk Internet Ltd* [2006] EWCA Civ 244 at [21], [2007] RPC 83 at [21] per Jacob LJ (referring to cases of honest concurrent use and very descriptive marks as not being cases of mere confusion but rather 'cases of tolerated deception or a tolerated level of deception').

325. Persons to whom the misrepresentation is made. Normally the misrepresentation in an action for passing off is made to customers of the claimant or to ultimate consumers of goods or services supplied by him[1]. The misrepresentation may, however, be made to other persons, such as other members of the trade or the claimant's suppliers[2]. For example, the defendant's financial failure or bad behaviour as a customer might cause damage to the claimant's credit and reputation among his suppliers if the defendant were thought to be associated with him[3].

1 As to the elements of the action for passing of see para 304 ante.

2 *Chelsea Man Menswear Ltd v Chelsea Girl Ltd* [1987] RPC 189 at 206, CA (expressly rejecting the argument that the reference to customers in the formulation (now superseded) of the requirements of passing off in *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] AC 731, [1979] 2 All ER 927, [1980] RPC 31, HL (see para 304 ante) should be read literally as excluding from the ambit of the action cases of misrepresentations to suppliers). See also *R and J Pullman Ltd v Pullman* (1919) 36 RPC 240; *FW Woolworth & Co Ltd v Woolworths (Australasia) Ltd* (1930) 47 RPC 337; *Brestian v Try* [1958] RPC 161, CA.

3 See *JC Penney Co Inc v Penneys Ltd* [1979] FSR 29 (Hong Kong), in which it appears that *R and J Pullman Ltd v Pullman* (1919) 36 RPC 240 and *FW Woolworth & Co Ltd v Woolworths (Australasia) Ltd* (1930) 47 RPC 337 were not cited. There seems to be no reason in principle why misrepresentations to bankers, investors etc which have the effect of damaging the claimant's trading reputation and credit amongst them should not equally be actionable.

326. Establishing misrepresentation. To establish a likelihood of deception in an action for passing off where there has been no misrepresentation[1] generally requires the presence of two factual elements:

(1) that a name, mark or other distinctive indicium used by the claimant has acquired a reputation[2] among a relevant class of persons; and

(2) that members of that class will mistakenly infer from the defendant's use of a name, mark or other indicium which is the same or sufficiently similar that the defendant's goods or business are from the same source[3] or are connected.

While it is helpful to think of these two factual elements as two successive hurdles which the claimant must surmount, consideration of these two aspects cannot be completely separated from each other[4].

The question whether deception is likely is one for the court[5], which will have regard to:

(a) the nature and extent of the reputation relied upon[6];

(b) the closeness or otherwise of the respective fields of activity in which the claimant and the defendant carry on business[7];

(c) the similarity of the mark, name etc used by the defendant to that of the claimant[8];

(d) the manner in which the defendant makes use of the name, mark etc complained of and collateral factors[9]; and

(e) the manner in which the particular trade is carried on, the class of persons who it is alleged is likely to be deceived and all other surrounding circumstances[10].

In assessing whether deception is likely, the court attaches importance to the question whether the defendant can be shown to have acted with a fraudulent intent, although a fraudulent intent is not a necessary part of the cause of action[11].

The evidence which is admissible on the question of likelihood of deception, and the way in which the court assesses it, including the significance to be attached to the presence or absence of actual instances of deception, are discussed elsewhere in this title in relation to both passing off and infringement of trade marks[12].

1 Eg an express statement that the defendant's goods or services are goods or services of the claimant: see para 321 ante. As to misrepresentation as an essential element of the action see para 323 ante.

2 See *Tavener Rutledge Ltd v Specters Ltd* [1959] RPC 355 at 362, CA, per Lord Evershed MR, and at 364 per Harman LJ.

3 This will be the inference drawn in the classic case of a defendant passing off his goods or business as the claimant's; the nature of the inference drawn will vary depending upon which of the many different forms of passing off is occurring: see para 317 ante.

4 *Magnolia Metal Co v Tandem Smelting Syndicate Ltd* (1900) 17 RPC 477 at 486, HL, per Lord Halsbury.

5 See para 431 post.

6 See para 327 post.

7 See para 328 post.

8 The factors to be taken into account in assessing whether or not names, marks etc are deceptively similar for the purposes of passing off are similar to those to be taken into account in assessing the likelihood of confusion in registered trade mark actions (see para 74 ante): see *Reed Executive plc v Reed Business Information Ltd* [2004] EWCA Civ 159 at [78]–[79], [2004] RPC 767 at [78]–[79], [2004] IP & T 1049 at [78]–[79] per Jacob LJ. In particular, it is equally relevant in passing off cases to consider the visual, aural and conceptual similarities between the respective names or marks and the possibility of imperfect recollection. Care should, however, be taken when applying registered trade mark cases in actions for passing off, because in trade mark actions the question to be decided is the narrower and more artificial one of whether the defendant's mark is confusingly similar to the registered mark, and some factors are not relevant which are relevant in actions for passing off, e g factors which are collateral to the defendant's use of the mark complained of. Equally the principle developed by the European Court of Justice that trade marks with a highly distinctive character are entitled to broader protection does not apply to passing off, although there is some truth in the opposite proposition: *Reed Executive plc v Reed Business Information Ltd* [2004] EWCA Civ 159 at [83]–[86], [2004] RPC 767 at [83]–[86], [2004] IP & T 1049 at [83]–[86] per Jacob LJ.

9 Eg the similarity or dissimilarity of get-up or secondary indicia, such as label wordings or business addresses, or the use of express words of disclaimer sufficient to prevent deception which might otherwise arise.

10 See para 329 post.

11 See para 330 post.

12 See para 430 et seq post.

327. Reputation as an element of establishing deception. Normally the reputation required to be established by the claimant in an action for passing off is that the name, mark or other indicium has by use come to be regarded as identifying goods or services from a particular source known or unknown[1], or, where there is passing off of a product which has a character intrinsic to its descriptive name, as denoting goods or services of a particular composition, standard, quality or geographical origin[2]. The fact that only the claimant has in the past made use of the name, mark or other feature concerned is not conclusive that it has come to be regarded as distinctive[3], but

distinctiveness will readily be inferred when the name, mark or other feature is invented or fancy and has no direct relation to the character or quality of the goods[4].

1 *T Oertli AG v EJ Bowman (London) Ltd* [1959] RPC 1 at 4, HL, per Viscount Simonds.
2 In this type of passing off the name or mark denotes not the goods or services of a particular person but goods or services of a particular standard or quality (e g advocaat or champagne): see para 319 ante.
3 *Payton & Co Ltd v Snelling, Lampard & Co Ltd* (1899) 17 RPC 48, CA (affd [1901] AC 308, 17 RPC 628, HL); *White, Tomkins and Courage Ltd v United Confectionery Co Ltd* (1914) 31 RPC 286.
4 *Cellular Clothing Co Ltd v Maxton and Murray* [1899] AC 326 at 339, 16 RPC 397 at 406–407, HL, per Lord Shand. Special considerations apply when a claimant seeks to prove that he has established a reputation in words which are recognised as descriptive of his goods or services: see para 336 post.

328. Common field of activity and likelihood of deception. It is not a requirement for success in a passing off action that the claimant and the defendant be engaged in a common field of activity[1]. The presence or absence of a common field of activity in which the claimant and the defendant are engaged is a factor to be taken into account in considering whether it is likely that persons coming across the defendant's use of the name, mark etc complained of will assume[2] that he and the claimant are connected[3]. Such a factor may also be significant in deciding, even assuming that a misrepresentation is established, whether the claimant is likely to suffer any substantial damage as a result of the defendant's activities[4].

Where the defendant's activities, although not in an area of business in which the claimant is engaged, are in an area of business which might be assumed to be a natural extension of the claimant's business, likelihood of deception will readily be inferred[5]. However, even where the fields of activity in which the claimant and the defendant are engaged are remote from each other, it is possible for deception to occur if the name or mark used is highly distinctive[6], or if the claimant's mark or name is well known and is closely copied with regard to style, lettering etc[7].

Deception may also occur where the defendant falsely represents that a celebrity has endorsed his goods or services even if the goods and services are remote from the celebrity's field of endeavour[8].

1 *Harrods Ltd v Harrodian School Ltd* [1996] RPC 697 at 714, CA, per Millet LJ (disapproving *McCulloch v May* (1948) 65 RPC 58); *Irvine v TalkSport Ltd* [2002] EWHC 367 (Ch) at [24]–[29], [2002] 2 All ER 414 at [24]–[29], [2002] EMLR 679 at [24]–[29] per Laddie J (affd [2003] EWCA Civ 423, [2003] 2 All ER 881).
2 As to this implied misrepresentation see para 321 ante; and as to misrepresentation as an essential element of the action for passing off see para 323 ante.
3 *Annabel's (Berkeley Square) Ltd v Schock (t/a Annabel's Escort Agency)* [1972] RPC 838 at 844, CA, per Russell LJ; *Harrods Ltd v Harrodian School Ltd* [1996] RPC 697 at 714, CA, per Millet LJ.
4 As to a common field of activity and damage see para 334 post.
5 *Dunlop Pneumatic Tyre Co Ltd v Dunlop Lubricant Co* (1898) 16 RPC 12 at 15; *Ames Crosta Ltd v Pionex International Ltd* [1977] FSR 46; *NAD Electronics Inc v NAD Computer Systems Ltd* [1997] FSR 380.
6 *Lego System A/S v Lego M Lemelstrich Ltd* [1983] FSR 155 (garden sprinklers sold under the same name as well known toy bricks).
7 *Walter v Ashton* [1902] 2 Ch 282 (bicycle shop passed off as being a branch of 'The Times' newspaper).
8 *Irvine v TalkSport Ltd* [2002] EWHC 367 (Ch), [2002] 2 All ER 414, [2002] EMLR 679; affd [2003] EWCA Civ 423, [2003] 2 All ER 881.

329. Factors and circumstances to be considered in assessing the likelihood of deception. In deciding whether deception sufficient to sustain an action for passing off[1] has occurred or is likely, all the circumstances must be considered[2]. The degree of similarity of the name, mark or other feature concerned[3] is important but not necessarily decisive, so that an action for infringement of a registered trade mark may succeed on the same facts where an action for passing off fails[4] or vice versa[5]. The circumstances in which the defendant's name, mark or get-up is likely to come to the attention of persons who might be confused must be considered, so that in sales to retail customers it is

relevant to take into account that the customer does not always have the opportunity of carefully examining the goods and may not be able to see the claimant's and defendant's goods side by side[6] and may in any case have an imperfect recollection of the claimant's goods or mark[7]. Trade customers may be less susceptible to deception than retail customers, so that the use of marks or names in advertisements or circulars, or in relation to goods or services, directed to the trade may create no danger of deception even though retail customers would be deceived if the marks or names were used in advertisements to them or attached to goods so as to come to their attention[8]. The fact that the persons who might be deceived are illiterate, badly educated or unable to understand the language or script in which distinguishing words or names are written is to be taken into account as potentially increasing the likelihood of deception[9].

For a misrepresentation to be established, it is generally not essential to show that all members of the relevant class of persons will be deceived, but merely that a majority[10] or a substantial proportion[11] is likely to be. It is not sufficient, however, that only careless or indifferent persons[12], or ignorant persons with little or no knowledge of the trade concerned[13], are likely to be deceived, nor is it sufficient to show that persons will be deceived who have such an imperfect or insufficient recollection of the claimant's mark that they cannot fairly be said to fall within the class of persons amongst whom the claimant has goodwill[14].

1 As to the requirement that the claimant must suffer damage see paras 333–335 post.

2 *Burberrys v JC Cording & Co Ltd* (1909) 26 RPC 693 at 701 per Parker J.

3 As to factors to be taken into account in assessing the similarity of marks, names etc see para 326 note 8 ante.

4 *Saville Perfumery Ltd v June Perfect Ltd and FW Woolworth & Co Ltd* (1941) 58 RPC 147 at 174, HL (decided under the Trade Marks Act 1938, but the position is likely to be the same under the Trade Marks Act 1994). This is because the question to be decided on infringement of registered trade marks is the rather narrower and more artificial question of whether the defendant's mark is confusingly similar to the registered mark. Some factors which are relevant in an action for passing off, e g that the defendant is using the mark in conjunction with other matter which makes confusion either more or less likely, are not relevant to infringement of registered trade marks. As to the infringement of registered trade marks see para 84 et seq ante.

5 *Re Joule's Trade Marks, Thompson v Montgomery* (1889) 41 ChD 35, 6 RPC 404, CA; affd [1891] AC 217, 8 RPC 361, HL. See e g *United Biscuits (UK) Ltd v Asda Stores Ltd* [1997] RPC 513 (where passing off was established, but trade mark infringement was not proved because the appropriate comparison was with the trade mark as registered, and not with the mark in actual use). See also the examples given in *Phones 4U Ltd v Phone4u.co.uk Internet Ltd* [2006] EWCA Civ 244 at [25], [2007] RPC 83 at [25] per Jacob LJ.

6 *Packham & Co Ltd v Sturgess & Co* (1898) 15 RPC 669 at 673, CA, per Chitty LJ.

7 *Seixo v Provezende* (1866) 1 Ch App 192; *Thomas Hubbuck & Son Ltd v William Brown Sons & Co* (1900) 17 RPC 638 at 645, CA; *Wright, Crossley & Co v Blezard* (1910) 27 RPC 299; *Ravenhead Brick Co Ltd v Ruabon Brick and Terra Cotta Co Ltd* (1937) 54 RPC 341 at 349 per Simonds J. It is possible to carry the doctrine of imperfect recollection too far: *Chappie Ltd v Spratt's Patent Ltd* (1954) 71 RPC 455.

8 *Ford v Foster* (1872) 7 Ch App 611 at 627 per James LJ; *Singer Manufacturing Co v Loog* (1882) 8 App Cas 15 at 20, HL, per Lord Selborne LC; *Star Cycle Co Ltd v Frankenburgs* (1907) 24 RPC 405, CA; *Claudius Ash Son & Co Ltd v Invicta Manufacturing Co Ltd* (1912) 29 RPC 465, HL.

9 *R Johnston & Co v Archibald Orr Ewing & Co* (1882) 7 App Cas 219, HL; *Wilkinson v Griffith* (1891) 8 RPC 370; *Saville Perfumery Ltd v June Perfect Ltd and FW Woolworth & Co Ltd* (1941) 58 RPC 147 at 176, HL. See also *Topps Co Inc v Top Hannah Agencies Ltd* (2000) Times, 14 February, where the Court of Session suggested that where goods were sold to children the impression on a child had to be considered.

10 *Havana Cigar and Tobacco Factories Ltd v Oddenino* [1924] 1 Ch 179, 41 RPC 47, CA.

11 *Saville Perfumery Ltd v June Perfect Ltd and FW Woolworth & Co Ltd* (1941) 58 RPC 147 at 176, HL; *Neutrogena Corpn v Golden Ltd* [1996] RPC 473 at 493–494, CA, per Morritt LJ; *Clark v Associated Newspapers Ltd* [1998] 1 All ER 959 at 966, [1998] RPC 261 at 271 per Lightman J. See also *Singer Manufacturing Co v Loog* (1882) 8 App Cas 15 at 18, HL (where Lord Selborne LC said that the imitation of another's trade mark, in a manner liable to mislead the unwary, cannot be justified by showing either that the device or inscription upon the imitated mark is ambiguous and capable of being understood by different persons in different ways, or that a person who carefully and intelligently examined and studied it might not be misled).

12 *Norman Kark Publications Ltd v Odhams Press Ltd* [1962] 1 All ER 636, [1962] 1 WLR 380, [1962] RPC 163; *Morning Star Co-operative Society Ltd v Express Newspapers Ltd* [1979] FSR 113 at 117 (where Foster J said that the two newspapers were so different that only 'a moron in a hurry' would be misled).

13 *Payton & Co Ltd v Snelling, Lampard & Co Ltd* (1899) 17 RPC 48 at 57 per Romer LJ; affd [1901] AC 308, 17 RPC 628, HL (where the customers confused were those who had no knowledge of the characteristics of coffee tins which were in fact common to the trade).

14 *HFC Bank plc v HSBC Bank plc (formerly Midland Bank plc)* [2000] FSR 176 (where it was considered essential that the claimant should demonstrate that it had achieved 'brand name recognition' to show it had goodwill, and the relevant test of deception related to its customers as regards whom it had achieved such recognition).

330. Effect of fraudulent intention. Although proof of a fraudulent intention on the defendant's part is not a necessary element of the cause of action for passing off[1], a fraudulent intention, if established, is a fact from which the court will readily infer that the defendant has succeeded in achieving his object of inducing deception[2]; but an intention to deceive is not conclusive that deception is in fact likely to occur[3]. Where a fraudulent intention is relied upon by the claimant, it must be pleaded expressly and proved by evidence[4]. Even if there is no fraudulent intention, a conscious decision on the part of the defendant to live dangerously is not something that the court is bound to disregard[5].

Some of the commonest ways in which a fraudulent intention on the defendant's part may be inferred are from the lack of any adequate explanation or convincing reason for the adoption by the defendant of the name, mark or other indicium in question[6], and from such matters as the garnishing of the defendant's name so as to increase the chance that it will be mistaken for the claimant's name[7], the adoption of laudatory epithets which are used by the claimant but which are incorrect when used to describe the defendant's goods or services[8], a false representation that a business is long-established in a way likely to lead persons to connect that business with the claimant's longer established business[9], a false representation that the defendant has an office in a place where the claimant has one[10], the adoption of the claimant's advertising slogans[11], or the deliberate imitation of the claimant's trade forms[12] or get-up[13]. A request for an excessively large sum of money to desist may be regarded as evidence of a fraudulent intention[14]. An inference of fraudulent intention can also be drawn from the employment in a nominal capacity of a person with a particular surname in order to make use of his name in the business or the purported purchase or licensing from such a person of a right to make use of his name when he has no genuine business goodwill to convey[15].

1 This is true at least of the cause of action in equity. As to the history of the distinction between passing off as a cause of action at common law and in equity see para 305 ante.

2 *Slazenger & Sons v Feltham & Co* (1889) 6 RPC 531 at 538, CA (where Lindley LJ said 'Why should we be astute to say that the defendant cannot succeed in doing that which he is straining every nerve to do?'); *Payton & Co Ltd v Snelling, Lampard & Co Ltd* (1899) 17 RPC 48 at 56, CA (affd [1901] AC 308, 17 RPC 628, HL) (where Romer LJ said 'you may well infer ... that a man who was going to do a scoundrelly action for his own benefit would take care to do it effectually'); *Office Cleaning Services Ltd v Westminster Window and General Cleaners Ltd* (1946) 63 RPC 39 at 42, HL (where Lord Simonds said 'But if the intention to deceive is found, it will be readily inferred that deception will result. Who knows better than the trader the mysteries of his trade?').

To be relevant the intention must, however, be to mislead. A mere underestimate of a degree of initial confusion is not enough: *Reckitt & Colman Products Ltd v Borden Inc* [1990] RPC 341 at 385–389, CA, per Slade LJ (the point not being argued in the subsequent appeal to the House of Lords: see *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 All ER 873, [1990] 1 WLR 491, HL).

3 *Claudius Ash Son & Co Ltd v Invicta Manufacturing Co Ltd* (1912) 29 RPC 465 at 475, HL, per Lord Loreburn LC.

4 *Claudius Ash Son & Co Ltd v Invicta Manufacturing Co Ltd* (1912) 29 RPC 465 at 475, HL, per Lord Loreburn LC.

5 *United Biscuits (UK) Ltd v Asda Stores Ltd* [1997] RPC 513 at 530 per Robert Walker J. See also *HP Bulmer Ltd v J Bollinger SA* [1978] RPC 79 at 122, CA, per Goff LJ; *Sodastream Ltd v Thorn Cascade Co Ltd* [1982] RPC 459 at 466, CA, per Kerr LJ; *Harrods Ltd v Harrodian School Ltd* [1996] RPC 697 at 706, CA, per Millett LJ.
6 *Poiret v Jules Poiret Ltd and Nash* (1920) 37 RPC 177.
7 *Turton v Turton* (1889) 42 ChD 128 at 134, CA.
8 *Mappin and Webb Ltd v Leapman* (1905) 22 RPC 398; *Joseph Rodgers & Sons Ltd v Hearnshaw and Hearnshaw* (1906) 23 RPC 349.
9 *Mallan v Davis* (1886) 3 TLR 221; *William Coulson & Sons v James Coulson & Sons* (1887) 3 TLR 740; *J Lyons & Co Ltd v Lyons* (1931) 49 RPC 188; *Dagenham Girl Pipers Ltd v Vishnu Pather* (1951) 69 RPC 1.
10 *Van Oppen & Co Ltd v Van Oppen* (1903) 20 RPC 617 at 619.
11 *Harrods Ltd v R Harrod Ltd* (1923) 41 RPC 74, CA.
12 *Van Oppen & Co Ltd v Van Oppen* (1903) 20 RPC 617.
13 *Price's Patent Candle Co Ltd v Ogston and Tennant Ltd* (1909) 26 RPC 797; *W and G Du Cros Ltd v Gold* (1912) 30 RPC 117; *Parker & Son (Reading) Ltd v Parker* [1965] RPC 323.
14 Ie because it implies an act of extortion backed up with a threat to deliberately pass off if the amount requested is not paid: see *Glaxo plc v Glaxowellcome Ltd* [1996] FSR 388 (offer to sell company incorporated under name of proposed merged business); *British Telecommunications plc v One in a Million Ltd* [1998] 4 All ER 476, [1999] FSR 1, CA (offer to sell internet domain name).
15 See the cases of fraud cited in connection with the right of an individual to make use of his own name in para 344 post.

331. Passing off where misrepresentation is made indirectly. A trader is not permitted to use any mark, device or other means[1] whereby, although he does not make a false representation to a direct purchaser of his goods, he enables such a purchaser to make a false representation to ultimate purchasers of those goods[2].

Where goods are sold to trade customers who are not themselves deceived but the goods are so marked or got up as to be calculated[3] to deceive ultimate purchasers, the claimant's cause of action for passing off is regarded as complete, both at law[4] and in equity[5], as soon as the goods are disposed of to the trade customers. Any such goods calculated to deceive are regarded as instruments of deception, and the court has jurisdiction to grant injunctive relief where a defendant is equipped with or is intending to equip another with an instrument of deception[6]. It is not enough that the goods are merely capable of being used by dealers to perpetrate frauds on their customers; the goods, or leaflets or other material supplied with them, must be intended or of such a nature as to suggest, or readily or easily lend themselves to, such passing off, as otherwise the consequence is too remote to be attributed to the supplier of the goods[7]. The fact that some middlemen have chosen to pass off goods which are capable of being sold in a perfectly lawful manner does not mean that the supplier has caused or enabled the passing off[8]. Goods may be regarded as calculated to deceive when they are marked with a distinctive feature by which the claimant's goods have become known in the market which enables dealers to supply them in response to requests for the claimant's goods[9]. It is unnecessary that the goods should actually be marked deceptively when they are supplied to middlemen if the goods, packaging or labels are supplied in component form for the purpose of final assembly into products which will be deceptive[10]. The supply of goods in the United Kingdom for export to a country where they are calculated to deceive amounts to passing off[11], at least where the trader in the United Kingdom has sufficient knowledge that the sale of the goods abroad will be deceptive[12].

Similarly, indirect misrepresentations may be made in connection with the passing off of services or businesses, although such a misrepresentation occurs more rarely than in connection with the passing off of goods[13].

1 As to passing off by use of a name or mark see para 326 et seq ante; and as to passing off by similarity of get-up or shape of goods see para 338 et seq post.
2 *Singer Manufacturing Co v Loog* (1880) 18 ChD 395 at 412, CA, per James LJ (affd (1882) 8 App Cas 15, HL); *Frank Reddaway & Co Ltd v George Banham & Co Ltd* [1896] AC 199 at 216, 13 RPC 218 at 231, HL, per Lord Macnaghten.

3 For these purposes, 'calculated' means that it is the reasonably foreseeable consequence that ultimate purchasers will be deceived; it does not have to be the intended consequence: *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] AC 731 at 742, [1979] 2 All ER 927 at 933, [1980] RPC 31 at 93, HL.

4 *Sykes v Sykes* (1824) 3 B & C 541. Damage (which is an essential ingredient of the action) is inferred from the threat that a quantity of deceptive goods is likely to be resold at any moment: *Draper v Trist* [1939] 3 All ER 513 at 522–523, 56 RPC 429 at 436, CA, per Sir Wilfrid Greene MR.

5 *Lever v Goodwin* (1887) 36 ChD 1, 4 RPC 492, CA (where an account of profits was awarded in respect of all the deceptive goods sold to middlemen, not just the proportion passed off to customers as the claimant's goods).

6 *British Telecommunications plc v One in a Million Ltd* [1998] 4 All ER 476, [1999] FSR 1, CA. It appears from this that a mere intention to equip oneself with an instrument of fraud, even without any intention to use it, may be restrained. It seems that e g a company which is formed with an inherently deceptive name, or the registration of an inherently deceptive domain name is to be treated as analogous to goods which are instruments of deception. As to domain names as instruments of deception see para 342 post.

7 *Singer Manufacturing Co v Loog* (1882) 8 App Cas 15 at 21, HL, per Lord Selborne LC; *Payton & Co Ltd v Snelling, Lampard & Co Ltd* [1901] AC 308 at 311, 17 RPC 628 at 635, HL, per Lord Macnaghten; *John Brinsmead & Sons Ltd v Brinsmead* (1913) 30 RPC 493 at 509, 511–512, CA, per Buckley LJ (who said that a defendant was not liable where a 'little additional lever' of falsehood applied by the dealer was needed to pass the goods off as the plaintiffs'); *Cadbury Ltd v Ulmer GmbH* [1988] FSR 385 ('Flakes') (where a defendant supplying chocolate bars the same shape as Cadbury's Flakes to ice-cream vendors was held not liable for acts of passing off committed by the vendors).

8 *Apollinaris Co Ltd v Duckworth & Co* (1906) 23 RPC 540 at 548, CA, per Warrington J (where salts prepared by the defendants, according to the analysis of the plaintiffs' mineral water, were reconstituted by a customer and sold as genuine mineral water). As to assisting passing off by others see also para 332 post.

9 *R Johnstone & Co v Archibald Orr Ewing & Co* (1882) 7 App Cas 219, HL; *Lee Kar Choo (t/a Yeen Thye Co) v Lee Lian Choon (t/a Chuan Lee Co)* [1967] 1 AC 602, [1966] 3 All ER 1000, PC; c f *Boord & Son Inc v Bagots, Hutton & Co Ltd* [1916] 2 AC 382, 33 RPC 357, HL.

10 *John Walker & Sons Ltd v Henry Ost & Co Ltd* [1970] 2 All ER 106, [1970] 1 WLR 917, [1970] RPC 489 (where bulk whisky was supplied together with bottles and deceptive labels); *John Walker & Sons Ltd v Douglas McGibbon & Co Ltd* [1975] RPC 506, Ct of Sess. In *John Walker & Sons Ltd v Henry Ost & Co Ltd* supra at 115, 928 and 504, in relation to one of the two types of labels involved, it was said that it does not make the defendant any the less culpable if, instead of supplying the deceptive labels, he merely supplies the product knowing and intending that deceptive labels will be applied; and in *White Horse Distillers Ltd v Gregson Associates Ltd* [1984] RPC 61, bulk whisky supplied without labels was described as an 'inchoate instrument of deception' where the supplier knew of and participated in its marketing with deceptive labels in Uruguay. Liability in these circumstances is better explained on the basis that the defendant is liable for facilitating the passing off or cognate tort which occurs abroad (see para 332 post) rather than on the basis that the supply of unmarked goods not inherently deceptive is itself an act of passing off.

11 *R Johnston & Co v Archibald Orr Ewing & Co* (1882) 7 App Cas 219, HL.

12 *John Walker & Sons Ltd v Henry Ost & Co Ltd* [1970] 2 All ER 106 at 120, [1970] 1 WLR 917 at 933, [1970] RPC 489 at 508–509.

13 See e g *Society of Accountants and Auditors v Goodway and London Association of Accountants Ltd* [1907] 1 Ch 489, where the defendant association conferred upon its members the right to use the title 'incorporated accountant', so causing deception. As to the use of internet domain names to pass off see para 342 post.

332. Assisting or being involved in passing off by others. The liability of a person who enables or assists others to pass off their goods as the claimant's goods by supplying packaging or materials[1] is to be decided on principles more restricted than those which apply to a person who actually supplies goods, whether made up or in component form, so labelled or got up as to be calculated to deceive[2]. Negligence on the part of a printer who supplies deceptive packaging but fails to make sufficient inquiry is not enough to found liability[3], nor is mere negligence on the part of a person who supplies unlabelled bulk material without knowledge of and participation in the application of deceptive labels by his customer[4]. It may be that knowingly to supply materials for the purpose of enabling goods to be passed off would give rise to liability in

negligence or an analogous cause of action[5], but the supply of materials which some customers may use for the purpose of passing off does not give rise to liability if the materials can also be used lawfully[6].

Under a head of liability distinct from that of liability for enabling passing off by others, persons who supply materials or who otherwise assist or are involved in the commission of passing off may incur liability as joint wrongdoers. To do so they must satisfy the requirement of being parties to a common design in the course of which the passing off occurs[7]; and under this head persons who make themselves parties to acts of passing off or cognate torts occurring abroad can be sued in the United Kingdom in respect of those acts[8]. Similarly, promoters involved in the formation of companies with deceptive names[9], or directors and managers of companies which engage in passing off[10], may incur liability.

Persons who facilitate passing off by others in circumstances where they do not themselves become wrongdoers may nevertheless, under the protective jurisdiction of equity, be restrained by injunction from parting with deceptive goods which have come under their control[11], or be ordered to disclose information as to the identity of their correspondents to enable the claimants to take proceedings against the wrongdoers[12].

1 As to passing off by similarity of get-up see para 338 et seq ante.

2 See *John Walker & Sons Ltd Henry Ost & Co Ltd* [1970] 2 All ER 106, [1970] 1 WLR 917, [1970] RPC 489. As to indirect passing off where the goods supplied are calculated to deceive see para 331 ante.

3 *Paterson Zochonis Ltd v Merfarken Packaging Ltd* [1983] FSR 273, CA.

4 *White Horse Distillers Ltd v Gregson Associates Ltd* [1984] RPC 61.

5 *Paterson Zochonis Ltd v Merfarken Packaging Ltd* [1983] FSR 273 at 283, CA, per Oliver LJ, at 289 per Fox LJ, and at 301 per Robert Goff LJ.

6 *Apollinaris Co Ltd v Duckworth & Co* (1906) 23 RPC 540 at 548, CA, per Warrington J (where mineral water salts were used for making up into mineral water which was passed off as genuine). See also *CBS Inc v Ames Records and Tapes Ltd* [1982] Ch 91, [1981] 2 All ER 812, [1981] RPC 407 (where blank tapes were used by customers for infringing copyright), and the cases there cited.

7 *CBS Songs Ltd v Amstrad Consumer Electronics plc* [1988] AC 1013, [1988] 2 All ER 484, [1988] RPC 567, HL (no common design between the suppliers of home taping equipment and home tapers to infringe copyright); *Unilever plc v Gillette (UK) Ltd* [1989] RPC 583, CA; *Credit Lyonnais Bank Nederland NV v Export Credit Guarantee Department* [1998] 1 Lloyd's Rep 19, CA. See also *Cadbury Ltd v Ulmer GmbH* [1988] FSR 385 ('Flakes') (where a defendant supplying chocolate bars the same shape as Cadbury's Flakes to ice-cream vendors was held not liable for acts of passing off committed by the vendors).

8 *John Walker & Sons Ltd v Henry Ost & Co Ltd* [1970] 2 All ER 106, [1970] 1 WLR 917, [1970] RPC 489 (where in Ecuador whisky mixed with local spirit was passed off as a Scotch whisky, and liability for the passing off in Ecuador was treated as distinct from the defendants' liability for passing off by the act of supplying the whisky with labels calculated to deceive). The power of the court to grant relief in respect of the defendants' participation in the passing off occurring abroad formerly arose from the general rule that a court in England or Wales will grant relief against a defendant over whom it has personal jurisdiction in respect of an act done in a foreign country which is actionable according to English law and which is not justifiable according to the law of the country concerned: see *John Walker & Sons Ltd v Henry Ost & Co Ltd* supra at 120, 933 and 509. See also *Alfred Dunhill Ltd v Sunoptic SA* [1979] FSR 337, CA (where an injunction was granted extending to the United Kingdom and Switzerland, with liberty to the plaintiffs to apply to extend the injunction to other countries on proof of passing off there and of the local law). Now such conduct may be actionable in England by virtue of the Private International Law (Miscellaneous Provisions) Act 1995 Pt III (ss 9–15) (see CONFLICT OF LAWS vol 8(3) (Reissue) para 368); but it seems clear that this involves proof that the conduct is tortious under local law rather than by virtue of the English law of passing off. In order to advance such a claim the relevant propositions of foreign law should be pleaded: cf *Global Multimedia International Ltd v ARA Media Services* [2006] EWHC 3107 (Ch), (2006) Times, 1 August. See also *Mother Bertha Music Ltd v Bourne Music Ltd* [1997] EMLR 457.

9 *SA des Anciens Etablissements Panhard and Levassor v Panhard Levassor Motor Co Ltd* [1901] 2 Ch 513, 18 RPC 405; cf *Allen v Original Samuel Allen & Sons Ltd* (1915) 32 RPC 33.

10 *MCA Records Inc v Charly Records Ltd* [2001] EWCA Civ 1441, [2002] EMLR 1.

11 See para 454 post.

12 See para 453 post.

(iv) Damage

333. Types of damage. It is essential to an action for passing off that the defendant's activities cause substantial damage to the claimant's business or goodwill, or are likely to do so if continued[1]. Where the defendant's goods or services compete with the claimant's, it is likely that the claimant will suffer loss of profits as a result of purchasers buying the defendant's goods or services in place of the claimant's[2]. Damage may occur despite the fact that the defendant's goods or services are not inferior to the claimant's[3], although, if they are inferior, the claimant may suffer additional damage to the reputation of his goods or services.

Where the claimant and the defendant do not compete and so the defendant's activities cannot lead directly to loss of sales by the claimant, the claimant may nevertheless suffer damage by being associated in the minds of the relevant traders or the public with the defendant or his business, goods or services[4]. The quality of the defendant's goods or services, the kind of business he does and the credit which he enjoys are all matters which may injure a claimant who is assumed wrongly to be associated with him[5]. Damage is likely to occur if the defendant[6] or his business[7] is unsavoury in character, and, if the defendant has adopted a name similar to the claimant's with fraudulent intent, the court will readily infer the probability of tangible injury to the claimant's trade reputation[8]. Even where there is no reason to suppose that there is anything concerning the defendant or his business which would adversely affect the claimant in the immediate future, the fact that the claimant's reputation is placed at the mercy of an entity over which the claimant has no control and which might get into difficulties in the future[9] may be sufficient to justify the grant of a permanent injunction at the trial[10], provided that the degree to which the claimant and the defendant may be associated by the public is sufficiently great[11]. In some cases the risk that the claimant may be exposed to litigation if the public assumes that he is responsible for the defendant's business has been held to give rise to a tangible risk of damage to the claimant[12].

1 *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 All ER 873, [1990] 1 WLR 491, [1990] RPC 341, HL, per Lord Oliver of Aylmerton ('Jif Lemon'). While confusion which is quickly corrected, so that it does not give rise to any damage, will not found an action in passing off (see para 335 post), it is open to question whether damage of the relevant sort is sustained where persons are led to the defendant by means of a misrepresentation, and are then disabused before transacting business which would otherwise have gone to the claimant: see *HFC Bank plc v Midland Bank plc* [2000] FSR 176 at 186, 202 per Lloyd J.

2 *Draper v Trist* [1939] 3 All ER 513, 56 RPC 429, CA (where it was held that, if the defendant puts a quantity of goods on the market which are calculated to be taken as the claimant's, the court will generally infer that this will lead to some loss of sales by the claimant without necessarily requiring proof of individual transactions in which this can be shown to have taken place). See also *Procea Products Ltd v Evans & Sons Ltd* (1951) 68 RPC 210; *McDonald's Hamburgers Ltd v Burgerking (UK) Ltd* [1987] FSR 112, CA; *Kimberley-Clark Ltd v Fort Sterling Ltd* [1997] FSR 877 (plaintiff entitled to protection not only from loss of sales but also from commercial damage caused by a competitor taking the benefit of his reputation); *Clark v Associated Newspapers Ltd* [1998] 1 All ER 959, [1998] RPC 261 (damage may be presumed in a case of false attribution of authorship).

3 *Blofeld v Payne* (1833) 4 B & Ad 410; *Edelsten v Edelsten* (1863) 1 De GJ & Sm 185. See also *Singer Manufacturing Co v Loog* (1882) 8 App Cas 15 at 30, HL, per Lord Blackburn.

4 This may extend to dilution or erosion of the claimant's goodwill through loss of distinctiveness of the mark in question: *Taittinger SA v Allbev Ltd* [1994] 4 All ER 75, [1993] FSR 641, CA ('elderflower champagne'; damage through the erosion of the uniqueness which attends the word 'champagne'). See also *British Telecommunications plc v One in a Million Ltd* [1998] 4 All ER 476, [1999] FSR 1, CA; *Irvine v TalkSport Ltd* [2002] EWHC 367 (Ch) at [34]–[38], [2002] 2 All ER 414 at [34]–[38], [2002] EMLR 679 at [34]–[38] per Laddie J (affd [2003] EWCA Civ 423, [2003] 2 All ER 881); but see *Harrods Ltd v Harrodian School Ltd* [1996] RPC 697 at 715–716, CA, per Millet LJ.

5 *Ewing v Buttercup Margarine Co Ltd* [1917] 2 Ch 1 at 13, 34 RPC 232 at 239, CA, per Warrington LJ; *Chelsea Man Menswear Ltd v Chelsea Girl Ltd* [1987] RPC 189 at 202, CA, per Slade LJ; *Phones 4U Ltd v Phone4u.co.uk Internet Ltd* [2006] EWCA Civ 244 at [14], [2007] RPC 83 at [14] per Jacob LJ.

6 *Harrods Ltd v R Harrod Ltd* (1923) 41 RPC 74, CA (where a moneylender fraudulently passed himself off as a branch of the well known store).

7 *Annabel's (Berkeley Square) Ltd v Schock (t/a Annabel's Escort Agency)* [1972] RPC 838, CA (where an escort agency was restrained from trading under the same name as the well known night club). Cf *McCulloch v Lewis A May (Produce Distributors) Ltd* [1947] 2 All ER 845 at 851, 65 RPC 58 at 67 (where the opinion of some witnesses that the plaintiff would lower himself by allowing his name to be attached to breakfast cereals was held not to give rise to a tangible risk of injury to his professional reputation); *Stringfellow v McCain Foods (GB) Ltd* [1984] RPC 501, [1984] FSR 175 (revsd [1984] RPC 501 at 525, CA).

8 *Lloyd's v Lloyd's (Southampton) Ltd* (1912) 29 RPC 433, CA; *Harrods Ltd v R Harrod Ltd* (1923) 41 RPC 74, CA.

9 *FW Woolworth & Co Ltd v Woolworths (Australasia) Ltd* (1930) 47 RPC 337; *British Legion v British Legion Club (Street) Ltd* (1931) 48 RPC 555 at 564.

10 This risk of damage in the long term does not justify the grant of an interim injunction, for which the likelihood of damage to the claimant's business or his trading reputation must be much more direct and immediate, e g arising from the poor quality of the defendant's goods: see *Lyons Maid Ltd v Trebor Ltd* [1967] RPC 222.

11 See *Society of Motor Manufacturers and Traders Ltd v Motor Manufacturers' and Traders' Mutual Insurance Co Ltd* [1925] Ch 675 at 692, 42 RPC 307 at 319, CA, per Warrington LJ (who said that, even if a certain number of persons were to think that the defendants were connected with the plaintiffs, in the circumstances there was no tangible risk of loss or damage to the plaintiffs).

12 *Walter v Ashton* [1902] 2 Ch 282 (bicycle shop passed off as being a branch of 'The Times' newspaper); *Illustrated Newspapers Ltd v Publicity Services (London) Ltd* [1938] Ch 414, [1938] 1 All ER 321, 55 RPC 172.

334. Common field of activity and damage. The similarity of the fields of activity in which the claimant and the defendant are engaged is highly relevant to the question of whether or not the defendant's use of the name, mark or other indicium complained of amounts to a misrepresentation, since the more disparate the fields, whether geographically or in terms of the type of business carried on, the less likely it is that the defendant will be assumed to be connected with the claimant[1]. However, even though substantial numbers of persons assume that the claimant and the defendant are connected, if the claimant and the defendant are not engaged in the same or associated fields of activity, it may be that there is no real and tangible risk that the claimant will suffer damage, and accordingly his action for passing off will not succeed[2]. Where the fields of activity of the claimant and the defendant are different, the question whether a connection is likely to be assumed between the claimant and the defendant, and the question whether such association gives rise to a real and tangible risk of damage, are not always clearly distinguished[3].

In considering whether there is a likelihood of damage to the claimant's business, the court may have regard not only to the present state of affairs but also to the fact that natural expansion of the claimant's business or of the defendant's business may bring the claimant and the defendant into competition in the future[4]. It has been held that the use of the claimant's reputation to promote the sale of goods which he is not engaged in selling can be regarded as causing damage to him even in the absence of any present or reasonably imminent intention on his part of selling or licensing the sale of such goods himself, the damage being the appropriation of the claimant's reputation in that field and the potential of exploiting it, and the loss of the fee which he would have been able to secure from the defendant for the use of his name and reputation[5]. Where, however, the claimant's and the defendant's fields of activity are far removed, even if certain uninformed members of the public or persons with special connections with the claimant were to believe mistakenly that there is a connection between them, a court should not readily infer the likelihood of consequential damage to the claimant, especially against an innocent defendant[6]. The attitude of the courts as to what

constitutes sufficient likelihood of damage has changed over the years so that some of the older cases where the likelihood of damage to the claimant was held to be insufficient would now not necessarily be followed[7].

1 *Annabel's (Berkeley Square) Ltd v Schock (t/a Annabel's Escort Agency)* [1972] RPC 838 at 844, CA, per Russell LJ. As to a common field of activity and likelihood of deception see para 328 ante.

2 *Ormond Engineering Co Ltd v Knopf* (1932) 49 RPC 634 (where a false representation that the defendant's goods were licensed under the plaintiff's patent was not actionable as the plaintiffs were not themselves selling competing goods); *McCulloch v Lewis A May (Produce Distributors) Ltd* [1947] 2 All ER 845, 65 RPC 58 (where breakfast cereal was sold under the name of a well known children's broadcaster but it was held that there was no likelihood of damage to the plaintiff in his profession). See also *Sim v HJ Heinz Co Ltd* [1959] 1 All ER 547, [1959] 1 WLR 313, [1959] RPC 75, CA (where there was imitation of an actor's voice in an advertisement); *Anheuser-Busch Inc v Budejovicky Budvar Narodni Podnik* [1984] FSR 413, CA (where sales of the defendants' beer in the general market in the United Kingdom was held not likely to damage the plaintiff's business of selling beer abroad and to American service bases in the United Kingdom); *Harrods Ltd v Harrodian School Ltd* [1996] RPC 697, CA (where a school was run under a name similar to the well known store, it was held unlikely that the store's goodwill would be damaged by anything which happened at the school).

3 See e g *Albion Motor Car Co Ltd v Albion Carriage and Motor Body Works Ltd* (1917) 34 RPC 257. The two questions cannot be considered in isolation, as the question whether the defendant's activities pose a real and tangible risk of injury to the claimant's business or goodwill depends among other things on the degree to which the claimant and the defendant are likely to be associated, so that a high risk of association justifies an injunction even when there is only a remote risk of damage (see *FW Woolworth & Co Ltd v Woolworths (Australasia) Ltd* (1930) 47 RPC 337), but a low risk of confusion does not justify an injunction unless the probability of damage is much more real (see *Society of Motor Manufacturers and Traders Ltd v Motor Manufacturers' and Traders' Mutual Insurance Co Ltd* [1925] Ch 675 at 692, 42 RPC 307 at 319, CA).

4 *Dunlop Pneumatic Tyre Co Ltd v Dunlop Lubricant Co* (1898) 16 RPC 12 at 15 (plaintiff's business); *Crystalate Gramophone Record Manufacturing Co Ltd v British Crystalite Co Ltd* (1934) 51 RPC 315 at 322 (defendant's business).

5 See *Henderson v Radio Corpn Pty Ltd* [1969] RPC 218 at 236, 244 (where a photograph of ballroom dancers was placed on a record sleeve in such a way as to suggest that the dancers had sponsored or recommended the music); *Lego System A/S v Lego M Lemelstrich Ltd* [1983] FSR 155 (where garden sprinklers were sold under the same name as well known toy bricks); *Anheuser-Busch Inc v Budejovicky Budvar Narodni Podnik* [1984] FSR 413, CA (where the defendant's entry into the general market in the United Kingdom where the plaintiffs had a reputation unconnected with ability or willingness to supply the goods was held not to give rise to potential damage to the plaintiffs); *Irvine v TalkSport Ltd* [2003] EWCA Civ 423, [2003] 2 All ER 881 (where the claimant racing driver succeeded in a claim for passing off by misrepresentation of endorsement against the defendant radio station and recovered as damages the fee he could have charged). As to merchandising see also para 340 post.

6 *Stringfellow v McCain Foods (GB) Ltd* [1984] RPC 501 at 525, CA (where the defendant marketed long, thin potato chips as 'Stringfellows', the name of a night club proprietor, and the court refused to conclude that substantial damage was likely even though there was a degree of misrepresentation).

7 See e g *Clark v Freeman* (1848) 11 Beav 112 (commented on in *Walter v Ashton* [1902] 2 Ch 282 at 293) (where an eminent physician was refused an injunction to prevent the fraudulent sale of quack medicine under his name); *Borthwick v Evening Post* (1888) 37 ChD 449, CA (where it was held that the assumption by the public that a new evening newspaper was connected with an existing morning newspaper was not likely to prejudice the publishers of the morning newspaper).

335. Confusion without damage. In some circumstances where one business is confused with another, there may be, nevertheless, no damage of a kind which will sustain an action for passing off[1]. This is so even where the claimant and the defendant are in directly competing fields of business if the confusion is likely to be rapidly put right or if it causes clerical and administrative errors which lead to misdirected letters and telephone calls but which are likely to be put right because of the way in which the business is conducted without resulting in any loss to or diversion of business from the claimant[2]. Similarly, confusion and inconvenience caused by the adoption of the same telegraphic address[3], or the claimant's failure to take extra precautions in identifying himself to persons with whom he corresponds[4], have been held insufficient to sustain an action.

1 As to damage as an essential of the action for passing off see paras 333–335 ante.
2 *Meikle v Williamson* (1909) 26 RPC 775; *John Hayter Motor Underwriting Agencies Ltd v RBHS Agencies Ltd* [1977] FSR 285, CA; *Pasterfield v Denham* [1999] FSR 168, Plymouth County Court. See also para 333 note 1 ante.
3 *Street v Union Bank of Spain and England* (1885) 30 ChD 156; *George Outram & Co Ltd v London Evening Newspapers Co Ltd* (1911) 28 RPC 308 at 312.
4 *George Outram & Co Ltd v London Evening Newspapers Co Ltd* (1911) 28 RPC 308. See also *Newsweek Inc v BBC* [1979] RPC 441, CA.

(2) PARTICULAR CASES OF PASSING OFF

(i) Descriptive, Generic and Geographical Names

336. Descriptive and geographical names. Special considerations apply where the claimant seeks to restrain as passing off the use of words or phrases which are descriptive of the goods or services concerned or of their geographical origin[1].

It is possible for a word or phrase which is wholly descriptive of the goods or services concerned to become so associated with the goods or services of a particular trader that its use by another trader is capable of amounting to a representation that his goods or services are those of the first trader[2]. In these circumstances it is sometimes said that, although the primary meaning of the words is descriptive, they have acquired a secondary meaning as indicating the products of a particular trader and no other[3]. However, a trader who seeks to prove that words which are prima facie descriptive have acquired such a secondary meaning faces a heavy burden[4], and the fact that such words, if used on their own without differentiation or explanation, will deceive does not mean that they cannot fairly be used with distinguishing words[5] or in a context where their meaning is descriptive[6]. Where the similarity between the trade marks or names of the claimant and defendant lies in descriptive words, the court will generally accept that small differences will be sufficient to distinguish them, at any rate in the absence of fraudulent intent[7], even if some degree of confusion arises between the claimant and the defendant as a result, as to do otherwise would allow the claimant unfairly to monopolise words in common use in the English language[8]. Descriptiveness is a matter of degree, and words which have some reference to the goods or services concerned are not necessarily to be treated in the same way as if they were the natural or usual description of those goods or services[9].

Similar principles apply to geographical names, so that it is difficult for a claimant to establish that a word having prima facie a geographical significance will indicate, when used by a defendant, the claimant's goods or services rather than goods or services from or connected with the geographical area concerned, especially where the goods are a natural product of the area rather than a manufactured article which could be made anywhere[10]. However, even though it might be possible for a geographical name to be used with adequate distinction in a way which is not deceptive, a name originally purely geographical in its significance may become so associated with the claimant's goods or services that its use on its own as a trade mark or name without adequate distinction will amount to passing off[11], especially if it is used in conjunction with get-up or other indicia similar to that used by the claimant[12]. Formerly the misapplication of a geographical name to goods was not actionable at the suit of a trader who legitimately made use of that name, unless by doing so the defendant represented that his goods were goods of the claimant[13], but this is no longer the law[14].

1 As to misuse of descriptive terms see para 319 ante.
2 *Frank Reddaway & Co Ltd v George Banham & Co Ltd* [1896] AC 199, 13 RPC 218, HL (where it was held unlawful to apply to the goods a description which is literally true, but which is intended to and does convey to a purchaser that they are the claimant's goods). See also *Barnsley Brewery Co Ltd v RBNB*

[1997] FSR 462 (where the plaintiff failed to show that 'Barnsley Bitter' had acquired a secondary meaning in fact); *Antec International Ltd v South Western Chicks (Warren) Ltd* [1998] FSR 738.

3 See e g *Cellular Clothing Co Ltd v Maxton and Murray* [1899] AC 326 at 333, 339, 343, 16 RPC 397 at 403, 406, 409, HL.

4 See *Cellular Clothing Co Ltd v Maxton and Murray* [1899] AC 326, 16 RPC 397, HL. Cf the strange facts of *Frank Reddaway & Co Ltd v George Banham & Co Ltd* [1896] AC 199, 13 RPC 218, HL (where it was not known in the trade that the phrase 'camel hair' was descriptive of the plaintiff's belting, and the defendant used it with intent to pass off his goods as the plaintiff's).

5 *Frank Reddaway & Co Ltd v George Banham & Co Ltd* [1896] AC 199 at 210, 222, 13 RPC 218 at 228, 234, HL.

6 *Burberrys v JC Cording & Co Ltd* (1909) 26 RPC 693.

7 *Aerators Ltd v Tollitt* [1902] 2 Ch 319, 19 RPC 418; *Office Cleaning Services Ltd v Westminster Window and General Cleaners Ltd* (1946) 63 RPC 39, HL; *World Athletics and Sporting Publications Ltd v ACM Webb (Publishing) Co Ltd* [1981] FSR 27, CA ('Athletics Weekly' and 'Athletics Monthly' magazines). Cf *Mothercare Ltd v Robson Books Ltd* [1979] FSR 466.

8 See *Cellular Clothing Co Ltd v Maxton and Murray* [1899] AC 326 at 339–340, 16 RPC 397 at 407, HL, per Lord Shand; *British Vacuum Cleaner Co Ltd v New Vacuum Cleaner Co Ltd* [1907] 2 Ch 312 at 328–329, 24 RPC 641 at 655 per Parker J; *Motor Manufacturers and Traders' Society Ltd v Motor Manufacturers and Traders' Mutual Insurance Co Ltd* [1925] Ch 675 at 689–690, 42 RPC 307 at 318–319, CA, per Lawrence J and at 692 and 320 per Sargent LJ; *Office Cleaning Services Ltd v Westminster Window and General Cleaners Ltd* (1946) 63 RPC 39 at 43, HL, per Lord Simonds. It appears that the courts are influenced by the consideration that a claimant who adopts as a mark or trading style words which are wholly descriptive of his goods or services is himself partly responsible for confusion which arises from the fair use by others of those descriptive words. See also *Mothercare UK Ltd v Penguin Books Ltd* [1988] RPC 113, CA (where the well known stores group was held not entitled to restrain the publication of a book about caring for children entitled 'Mother Care/Other Care').

9 *Music Corpn of America v Music Corpn (Great Britain) Ltd* (1946) 64 RPC 41 at 44; *Legal and General Assurance Society Ltd v Daniel* [1968] RPC 253, CA; *Pickwick International Inc (GB) Ltd v Multiple Sound Distributors Ltd* [1972] 3 All ER 384, [1972] 1 WLR 1213, [1972] RPC 786; *Computervision Corpn v Computer Vision Ltd* [1975] RPC 171. Cf *Newsweek Inc v BBC* [1979] RPC 441, CA (television programme called 'Newsweek'). By analogy, fancy packaging which cleverly refers to the characteristics of the goods themselves is not to be equated with a description of the goods: *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 All ER 873, [1990] 1 WLR 491, [1990] RPC 341, HL ('Jif Lemon').

10 *Rugby Portland Cement Co Ltd v Rugby and Newbold Portland Cement Co Ltd* (1891) 9 RPC 46, CA; *Grand Hotel Co of Caledonia Springs Ltd v Wilson* [1904] AC 103, 21 RPC 117, PC (where competitors were legitimately entitled to use the name 'Caledonia' in order to gain advantage from the fame acquired by the plaintiffs' mineral water from the same locality); *Hopton Wood Stone Firms Ltd v Gething* (1910) 27 RPC 605. See also *Tigon Mining and Finance Corpn Ltd v South Tigon Mining Co Ltd* (1931) 48 RPC 526 (where a name belonging originally to the plaintiff company became so associated with an area where it conducted mining operations that it could be used by the defendant without deception as a geographical word).

11 *Seixo v Provezende* (1866) 1 Ch App 192; *Montgomery v Thompson* [1891] AC 217, 8 RPC 361, HL; *North Cheshire and Manchester Brewery Co Ltd v Manchester Brewery Co Ltd* [1899] AC 83, HL; *Worcester Royal Porcelain Co Ltd v Locke & Co* (1902) 19 RPC 479; *Berkeley Hotel Co Ltd v Berkeley International (Mayfair) Ltd* [1972] RPC 237.

12 *Price's Patent Candle Co Ltd v Ogston and Tennant Ltd* (1909) 26 RPC 797. See also *Wotherspoon v Currie* (1872) LR 5 HL 508 (where the defendant set up premises in Glenfield for the purpose of enabling him to pass off his starch as the plaintiff's which was sold under the name 'Glenfield Starch').

13 *California Fig Syrup Co v Taylor's Drug Co Ltd* (1897) 14 RPC 564, CA.

14 *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] AC 731, [1979] 2 All ER 927, [1980] RPC 31. See also para 319 ante.

337. Invented name, or the name of the introducer or patentee, for novel goods or services. Special considerations may apply where a claimant introduces a new product and has for a period of time, either because of a patent or because of practical or commercial considerations, a monopoly in supplying it[1]. The courts are reluctant to permit a claimant under the guise of an action for passing off to seek to hamper competition by preventing competitors from making use of a name which is apt to describe the product, even if the name was invented and given to the product by the claimant[2].

In such circumstances a claimant faces an evidential difficulty, in that it is to be expected that, while his product enjoys a de facto monopoly, it will be referred to or asked for by its descriptive name alone, but it does not follow from evidence of such practice that the public will still regard the descriptive name as denoting the goods of a particular manufacturer once there is a competitor on the market[3], and it does not matter for this purpose that the words, although apt in common usage to describe the product, are, if strictly or scientifically construed, inaccurate[4]. A further difficulty may arise in that confusion may be inevitable when a new competitor enters a market which has hitherto been supplied by one trader, simply as a result of the similarity of the goods or services concerned[5]. In order to succeed in an action for passing off, the claimant must show that confusion is created or increased by some misrepresentation on the defendant's part, and it may be difficult to show that the particular use made by the defendant of inherently descriptive words is an operative misrepresentation causing confusion in addition to that arising simply from the similarity of the goods or services themselves[6]. Furthermore, a court may consider that, where a claimant trades under or uses as a trade mark words which are inherently descriptive of the goods or services without further distinguishing them, he brings on himself the risk of confusion arising from other traders' fair use of such descriptive terms[7].

It is possible for the name of the first inventor or introducer of a novel article to come to indicate not the goods made by or under the licence of that particular individual but goods of that type made by any person, in which case the name of the inventor or introducer is said to have become publici juris or generic[8], although this is far less prone to happen than in the case of words which are inherently descriptive[9]. More common is the situation where the name of the introducer or inventor can be used in a context where it signifies products of the general type[10] but where the use of the name in relation to the goods without sufficient distinction or qualification is likely to mislead and will be restrained[11].

1 See *Cellular Clothing Co Ltd v Maxton and Murray* [1899] AC 326 at 344, 16 RPC 397 at 409, HL.

2 *McCain International Ltd v Country Fair Foods Ltd* [1981] RPC 69, CA (where it was held that the name 'oven chips' was descriptive of the product). See also *eFax.com Inc v Oglesby* [2000] IP & T 992, (2000) Times, 16 March (prefixing a word with an established meaning with the letter 'e' is descriptive of internet services).

3 *Siegert v Findlater* (1878) 7 ChD 801 at 813 ('Angostura Bitters'); *Parsons v Gillespie* [1898] AC 239 at 245, 15 RPC 57 at 62, PC ('Flaked Oatmeal'); *Cellular Clothing Co Ltd v Maxton and Murray* [1899] AC 326 at 344, 16 RPC 397 at 409, HL, per Lord Davey; *Linoleum Manufacturing Co v Nairn* (1878) 7 ChD 834 (where 'linoleum' was held to be descriptive); *McCain International Ltd v Country Fair Foods Ltd* [1981] RPC 69, CA. See also the comments of the members of the House of Lords on the 'monopoly assumption' in *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 All ER 873, [1990] 1 WLR 491, [1990] RPC 341, HL ('Jif Lemon').

4 *Parsons v Gillespie* [1898] AC 239 at 245, 15 RPC 57 at 62, PC; *Horlick's Malted Milk Co v Summerskill* (1916) 33 RPC 108 at 114, CA (affd 34 RPC 63, HL); *McCain International Ltd v Country Fair Foods Ltd* [1981] RPC 69 at 74, CA.

5 As to confusion without any misrepresentation see para 324 ante.

6 *My Kinda Town Ltd v Soll* [1983] RPC 407 at 420, CA, per Oliver LJ, and at 434 per Robert Goff LJ. Similar considerations arise where passing off is alleged to occur as a result of the similarity of features of goods which are of benefit in use: see para 338 ante.

7 *British Vacuum Cleaner Co Ltd v New Vacuum Cleaner Co Ltd* [1907] 2 Ch 312 at 328–329, 24 RPC 641 at 655 per Parker J.

8 *Canham v Jones* (1813) 2 Ves & B 218 ('Velno's Vegetable Extract'); *Liebig's Extract of Meat Co Ltd v Hanbury* (1867) 17 LT 298; *Ford v Foster* (1872) 7 Ch App 611 at 628 per Mellish LJ.

9 See e g *Burberrys v Raper and Pulleyn* (1906) 23 RPC 170.

10 See e g *Singer Manufacturing Co v Loog* (1882) 8 App Cas 15, HL ('Singer system' sewing machines).

11 *Singer Machine Manufacturers v Wilson* (1877) 3 App Cas 376, HL; *AV Roe & Co Ltd v Aircraft Disposal Co Ltd* (1920) 37 RPC 249.

(ii) Get-up and Shape of Goods

338. Passing off by similarity of get-up or shape of goods. Passing off may occur, not only by reason of any similarity of trade marks or names[1], but because of the similarity of the general appearance or get-up of goods, or the premises in which business is conducted, or the advertising materials and other documents used in connection with the defendant's goods or services[2].

The similarity of get-up may be such that passing off is likely to occur even though the trade marks or names are wholly different[3], especially where the goods are likely to be bought by illiterate or uneducated persons[4], but similarity or dissimilarity[5] of get-up is only one of the factors to be taken into account in deciding whether in all the circumstances there is a likelihood of deception, and a dissimilar name or mark, if given prominence, may negate the similarity of get-up[6]. A competing trader may adopt a get-up similar to that of the claimant's product, not in order to pass off his goods as the claimant's but in order impliedly to represent to the public that his goods are similar to or a substitute for the claimant's, thus competing in and taking advantage of a market created by the claimant's efforts; this is legitimate so long as he does not thereby represent his product as the claimant's or connected with it[7].

In assessing whether or not the get-up of the defendant's goods is deceptively similar to the claimant's, characteristics which are common to the trade should be disregarded[8], but the use in combination of a number of features which are individually used by others in the trade can amount to passing off[9]. Thus where the defendant adopts a feature used by the claimant which is also used by others in the trade, so that its use as such is unobjectionable, the defendant may nevertheless have to take greater care not to copy other features of the get-up of the claimant's goods[10]. Further, where the general appearance of the goods is necessarily similar, a defendant needs to take greater care to avoid adopting those features which are distinctive to the get-up of the claimant's goods[11]. It appears that a trader who is the first to import goods cannot monopolise features which are common to the trade in those goods in their country of origin, at least if no dishonesty is involved in the competing importation[12].

It is possible for passing off to occur by reason of the similarity of the shape, nature or other characteristics of the goods themselves, as opposed to features of their packaging or marks applied to them[13]. Where, however, what is sought to be restrained is the copying of features of the claimant's goods which have value in use, as opposed to capricious attributes of shape or colour, the courts are reluctant to allow a claimant to secure a monopoly in a new type or design of goods under the guise of an action for passing off[14], and in this regard the principles applied are closely parallel to those which apply where the claimant seeks to restrain as passing off the use of words or phrases which are descriptive of the goods or services concerned[15]. It is more difficult to establish as a matter of fact that purchasers will assume merely from attributes which have utility that the defendant's goods are the claimant's, particularly because they may buy those goods because of their utility or because of their visual appeal without caring or giving thought to who makes them[16]. Moreover, confusion which arises simply as a result of a new competitor selling a type of goods or services which previously have only been sold by the claimant is not regarded in law as arising from a representation made by the defendant[17], and there is some authority that a defendant who simply copies attributes of the claimant's goods which give some benefit in use is not to be treated in law as thereby making a representation[18].

1 As to passing off by use of a name or mark see para 326 et seq ante.

2 As to misrepresentation as an essential element of the action see para 323 ante.

3 *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 All ER 873, [1990] 1 WLR 491, [1990] RPC 341, HL ('Jif Lemon') (where differing trade names and labels were held insufficient on the facts to

prevent confusion arising from the adoption by the defendant of a lemon-shaped plastic container for lemon juice); *Tavener Rutledge Ltd v Specters Ltd* [1959] RPC 355, CA (see the photographs of tins at [1959] RPC 83); *United Biscuits (UK) Ltd v Asda Stores Ltd* [1997] RPC 513 (where similarities in packaging of 'Puffin' biscuits to packaging of 'Penguin' biscuits resulted in passing off whereas the name alone did not).

4 *Lever v Godwin* (1887) 36 ChD 1 at 5, 4 RPC 492 at 504, CA; *Lee Kar Choo (t/a Yeen Thye Co) v Lee Lian Choon (t/a Chuan Lee Co)* [1967] 1 AC 602, [1966] 3 All ER 1000, PC.

5 See e g *Coleman & Co Ltd v John Brown & Co* (1899) 16 RPC 619, CA.

6 *Schweppes Ltd v Gibbens* (1905) 22 RPC 601 at 606–607, HL (where Lord Halsbury LC expressed the view that persons who are so careless that they do not treat the label fairly but take the goods without sufficient consideration and without reading what is written plainly on them cannot be said to be deceived because they do not care what they are getting); *Fisons Ltd v EJ Godwin (Peat Industries) Ltd* [1976] RPC 653; *Tetrosyl Ltd v Silver Paint and Lacquer Co Ltd* [1980] FSR 68, CA.

7 *F King & Co Ltd v Gillard & Co* [1905] 2 Ch 7, 22 RPC 327, CA; *Cadbury Schweppes Pty Ltd v Pub Squash Co Pty Ltd* [1981] 1 All ER 213 at 218–219, [1981] 1 WLR 193 at 200, [1981] RPC 429 at 491, PC. See also para 323 ante.

8 *Hennessy (James) & Co v Keating* (1908) 25 RPC 361, 52 Sol Jo 455, 24 TLR 534, HL; *JB Williams Co v H Bronnley & Co Ltd* (1909) 26 RPC 765, CA. The evidence of customers who have little knowledge of the goods on the market, and so do not know which features of the claimant's goods are common to the trade and which are distinguishing characteristics, should be disregarded by the court: *Payton & Co Ltd v Snelling, Lampard & Co Ltd* (1899) 17 RPC 48 at 57, CA, per Romer LJ; affd [1901] AC 308, 17 RPC 628, HL.

9 *Lever v Goodwin* (1887) 36 ChD 1, 4 RPC 492, CA.

10 *W and G Du Cros Ltd v Gold* (1912) 30 RPC 117 at 126.

11 *Cordes v R Addis & Son* (1923) 40 RPC 133 at 139.

12 *Boord & Son Inc v Bagots, Hutton & Co Ltd* [1916] 2 AC 382 at 393, sub nom *Re Bagots, Hutton & Co Ltd's Application* 33 RPC 357, HL, per Lord Loreburn.

13 *See Hodgkinson and Corby Ltd v Wards Mobility Services Ltd* [1994] 1 WLR 1564, [1995] FSR 169; *RJ Elliott & Co Ltd v Hodgson* (1902) 19 RPC 518 (imitation of specially shaped cigars restrained); *F Hoffman–La Roche & Co AG v DDSA Pharmaceuticals Ltd* [1972] RPC 1, CA (coloured drug capsules); c f *Roche Products Ltd v Berk Pharmaceuticals Ltd* [1973] RPC 473, CA.

14 *William Edge & Sons Ltd v William Niccolls & Sons Ltd* [1911] AC 693, HL (where the plaintiffs had for many years been the only firm to sell laundry blue in bags to which a stick was attached, thus allowing the bags to be dipped in the water without staining the user's hands, and the defendants were restrained from imitating the shape of the plaintiff's stick but not from using any stick). As to the statutory policy reflected in the restrictions on the registrability of the shape of goods as trade marks see para 62 ante.

15 As to the use of descriptive names see para 336 ante.

16 *Blundell v Sidney Margolis Ltd* (1951) 68 RPC 71 (bubble gum in the shape of teeth); *Hawkins and Tipson Ltd (Proprietors of Green Bros) v Fludes Carpets Ltd and British Floorcloth Co Ltd* [1957] RPC 8 (pattern on coconut floor matting); *British American Glass Co Ltd v Winton Products (Blackpool) Ltd* [1962] RPC 230 (ornamental dogs); *Gordon Fraser Gallery Ltd v Tatt* [1966] RPC 505 (style of greetings cards); *Jarman and Platt Ltd v I Barget Ltd* [1977] FSR 260, CA (style of furniture); *Lyngstad v Anabas Products Ltd* [1977] FSR 62 (where it was held that badges depicting popular musicians were bought for their own sake rather than because buyers assumed that the sale of the goods was connected with the persons depicted); *Politechnika Ipari Szovetkezet v Dallas Print Transfers Ltd* [1982] FSR 529 ('Rubik' puzzle cubes).

17 For circumstances where confusion arises as a result of the defendant's activities, but not as a result of any misrepresentation on his part, see para 324 ante.

18 *Benchairs Ltd v Chair Centre Ltd* [1974] RPC 429 at 435–436 per Graham J (revsd on another point [1974] RPC 429, CA), applying a dictum of Fletcher Moulton LJ in *JB Williams Co v H Bronnley & Co Ltd* (1909) 26 RPC 765 at 773, CA. See also *Jones Bros Ltd v Anglo-American Optical Co* (1912) 29 RPC 361, CA. Cf *Children's Television Workshop Inc v Woolworths (NSW) Ltd* [1981] RPC 187, NSW SC. That this is a rule of law, as distinct from a factual circumstance giving rise to greater difficulties of proof on the part of the claimant, was, however, doubted in *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 All ER 873, [1990] 1 WLR 491, [1990] RPC 341, HL ('Jif Lemon').

(iii) Titles

339. Titles. In general the title of an individual book does not function as a trade mark[1], and it would therefore seem doubtful whether such a title can be protected by an action for passing off, quite apart from the difficulty that it is commonplace for two or more books to be published with the same or similar titles. In principle the title of an

individual play or film stands in the same position. Nevertheless there is some authority suggesting that a distinctive title can be protected[2].

Periodicals and other serials, including books published in successive editions, sequels and radio and television programmes, stand in a different position. It is clear that in principle the title of periodicals and serials may be protected[3], but often such claims fail because the title is descriptive and small differences in the title and/or other differences in the publication suffice to distinguish it[4].

In addition, the author of a book or play may have a remedy for the passing off of a film or the like as an adaptation of his book or play if that is not the case[5].

1 *SCIENCE AND HEALTH Trade Mark* [1968] RPC 402. See also *Games Workshop Ltd v Transworld Publishers Ltd* [1993] FSR 705, CA.

2 *Mathieson v Sir Isaac Pitman & Sons Ltd* (1930) 47 RPC 541 (claim in respect of 'How to Appeal against Your Rates' failed because it was descriptive and had not acquired a secondary meaning); *WH Allen & Co v Brown Watson* [1965] RPC 191 (passing off expurgated edition of book as unexpurgated edition); *Hexagon Pty Ltd v Australian Broadcasting Commission* [1976] RPC 628, NSW SC. See also *20th Century Fox Film Corpn v Gala Film Distributors Ltd* [1957] RPC 105.

3 See eg *Walter v Emmott* (1885) 54 LJ Ch 1059, CA; *Reed v O'Meara* (1904) 21 LR Ir 216; *Blacklock v Bradshaw* (1926) 43 RPC 97; *Morgan-Grampian plc v Training Personnel Ltd* [1992] FSR 267; *Games Workshop Ltd v Transworld Publishers Ltd* [1993] FSR 705, CA; *Associated Newspapers Ltd v Express Newspapers* [2003] EWHC 1322 (Ch), [2003] FSR 909; *Local Sunday Newspapers Ltd v Johnstone Press plc* [2001] All ER (D) 183 (Jun). See also *Marcus Publishing plc v Hutton-Wild Communications Ltd* [1990] RPC 576, CA.

4 See eg *Borthwick v The Evening Post* (1888) 37 ChD 449, CA; *George Outram & Co Ltd v London Evening Newspapers Co* (1911) 28 RPC 308; *Ridgway Co v Amalgamated Press Ltd* (1912) 29 RPC 130; *Stevens v Cassell* (1913) 30 RPC 199; *The Ridgway Co v Hutchinson* (1923) 40 RPC 335; *Rubber & Technical Press Ltd v Maclaren & Sons Ltd* [1961] RPC 264; *Baylis & Co (Maidenhead Advertiser) Ltd v Darlenko Ltd* [1974] FSR 284; *DC Thomson & Co Ltd v Kent Messenger Ltd* [1975] RPC 191; *Morning Star Co-operative Society Ltd v Express Newspapers Ltd* [1979] FSR 113; *Newsweek Inc v BBC* [1979] RPC 441, CA; *World Athletics and Sporting Publications Ltd v ACM Webb (Publishing) Co Ltd* [1981] FSR 27, CA; *Advance Magazine Publishing Inc v Redwood Publishing Ltd* [1993] FSR 449; *County Sound plc v Ocean Sound Ltd* [1991] FSR 367, CA; *Tamworth Herald Co Ltd v Thomson Free Newspapers Ltd* [1991] FSR 337.

5 *Raleigh v Kinematograph Trading Co Ltd* (1914) 31 RPC 143; *Samuelson v Producers Distributing Co Ltd* [1932] 1 Ch 201, CA; cf *Houghton v Film Booking* (1931) 48 RPC 329; *Loew's Inc v Littler* (1955) 72 RPC 166.

(iv) Personality and Character Merchandising

340. Merchandising and passing off. 'Merchandising' is the practice which has been growing very common over recent years of licensing the use of a name or mark, or of the representation or attributes of a real or fictional person or character, in connection with goods or services. In certain circumstances the law of passing off will restrain the unauthorised use by third persons of such names, marks, representations or other attributes[1].

Where a trade mark or trade name is licensed to licensees or franchisees, rather than used directly by the owner of the mark or name, then, provided that the licensor exercises sufficient control over, or otherwise maintains sufficient connection with, the goods or services so as to make the use of the name or mark distinctive of him, he can generally restrain the unauthorised use of the name or mark in the same way as if he had built up the goodwill and reputation attached to the mark by his own trade rather than through licensees[2].

It is more difficult to prevent the use of a name or mark in relation to goods or services which the owner of the name or mark has not yet marketed, whether directly or through licensees[3]. In such circumstances, the claimant must first establish that, notwithstanding the difference between the fields of activity in which the claimant and the defendant are engaged, the public will assume a connection with the claimant and

accordingly the use of the name or mark will be a misrepresentation[4], and secondly that the misrepresentation creates a real and tangible risk of damage to the claimant[5]. Where the name is an individual's name and the defendant has expressly or implicitly represented[6] that the individual has licensed or endorsed the goods or services, it may be easier to succeed where the goods or services are in some way associated with the capacity in which the individual has become famous, so that the public can be expected to rely on his skill and judgment[7], than when the individual's professional capacities or attributes are totally unconnected with the goods or services concerned[8].

1 Other rights which are potentially applicable are those as to registered trade marks (see para 55 et seq ante), and, especially where representations of fictional characters are concerned, copyright: see *King Features Syndicate Inc v O and M Kleeman Ltd* [1941] AC 417, [1941] 2 All ER 403, 58 RPC 207, HL; and COPYRIGHT, DESIGN RIGHT AND RELATED RIGHTS vol 9(2) (2006 Reissue) paras 316–317.

2 *JH Coles Pty Ltd v Need* [1934] AC 82, 50 RPC 379, PC. As to licensing generally see para 316 ante.

3 The use of trade marks which are famous as applied to one kind of goods, particularly luxury goods, to promote the sale of unrelated goods is increasingly common: see e g *Alfred Dunhill Ltd v Sunoptic SA* [1979] FSR 337, CA (where a mark originally used for pipes and tobacco was applied to jewellery, leather goods, watches, glassware and other diverse goods). See also *News Group Newspapers Ltd v Rocket Record Co Ltd* [1981] FSR 89 (where newspaper publishers marketed a range of goods under the mark 'Page 3' and were able to restrain the release by the defendants of a single record entitled 'Page Three').

4 As to a common field of activity and the likelihood of deception see para 328 ante.

5 As to the requirement of damage see para 334 ante.

6 The mere use of an individual's name or likeness does not necessarily imply that he has authorised the goods or services concerned: *Lyngstad v Anabas Products Ltd* [1977] FSR 62 (badges depicting popular musicians); cf *Elvis Presley Trade Marks* [1999] RPC 567, CA (memorabilia depicting deceased popular musician).

7 See *Henderson v Radio Corpn Pty Ltd* [1969] RPC 218 at 236, 244 (where a photograph of ballroom dancers was placed on a record sleeve in such a way as to suggest that they had endorsed or recommended the music); *Irvine v TalkSport Ltd* [2002] EWHC 367 (Ch), [2002] 2 All ER 414, [2002] EMLR 679 (affd [2003] EWCA Civ 423, [2003] 2 All ER 881) (where advertisement contained doctored photograph of claimant racing driver suggesting that he was listening to defendant radio station and thus endorsing it).

8 *McCulloch v Lewis A May (Produce Distributors) Ltd* [1947] 2 All ER 845, 65 RPC 58 (where breakfast cereal was sold under the name of a well known children's broadcaster but it was held that there was no likelihood of damage to the plaintiff in his profession); but the requirement for a common field of activity laid down in this case has been disapproved by the Court of Appeal (see para 328 ante). It would appear that where the claimant has a reputation for endorsing goods and services, or if his celebrity is such that members of the public would think that he was endorsing the defendant's product or service despite its nature, a claim may lie in respect of goods or services fairly remote from his own field: *Irvine v TalkSport Ltd* [2002] EWHC 367 (Ch), [2002] 2 All ER 414, [2002] EMLR 679; affd [2003] EWCA Civ 423, [2003] 2 All ER 881.

In very special circumstances unauthorised representation of endorsement by an individual may give rise to an action for defamation: see *Tolley v JS Fry & Sons Ltd* [1931] AC 333, HL (where a caricature of an amateur golfer used as an advertisement was held capable of implying that the golfer had prostituted his amateur status by taking money for endorsing chocolate). See also LIBEL AND SLANDER vol 28 (Reissue) paras 11–12.

341. Fictional characters from books, films and television series. To restrain a defendant from making use of the names, likenesses or other incidents of fictional characters or stories[1], a series of propositions must be established.

First, it must be shown that the public will assume from the way in which reference is made to the character or story that the defendant's goods or services are connected with or licensed by the claimant[2]. This is more difficult to establish if the use of the character or story is of inherent value to the goods or services marketed, so that members of the public buy the goods or services for their own sake and not because the use of the character or story implies a connection with the claimant[3]. It has been argued that the practice of licensing the use of characters and other matter from films and television productions has become so widespread that the public will now assume that licensing has taken place[4].

Secondly, the assumption on the part of the public that the claimant is connected with the defendant's goods or services must arise from a misrepresentation made by the defendant, and, if the defendant has merely adopted features of the claimant's character or story which have intrinsic value in relation to the intended use of the goods or services concerned, it may be more difficult to attribute the assumptions made by the public to any misrepresentation on the part of the defendant[5].

Thirdly, the claimant must establish that the misrepresentation is material and a mere supposition on the part of the public that the claimant is receiving a licence fee without any reliance on the reputation of the claimant as a guarantee of the quality or origin of the goods concerned may not be sufficient[6].

Fourthly, the claimant must establish the likelihood of damage to his business or goodwill as a result of the defendant's misrepresentation[7]. Even if the likelihood of long-term damage can be established such as would justify the grant of a permanent injunction at the trial, a claimant may have difficulty in obtaining an interim injunction if he is engaged in a licensing operation and his damage pending trial can be adequately compensated by money damages[8].

1 As to the practice of merchandising see para 340 ante.

2 *BBC Worldwide Ltd v Pally Screen Printing Ltd* [1998] FSR 665. See also *Conan Doyle v London Mystery Magazine Ltd* (1949) 66 RPC 312 (where references to Sherlock Holmes and the use of his fictitious address by a magazine did not imply a connection with the author of the Sherlock Holmes detective stories); *Wombles Ltd v Wombles Skips Ltd* [1977] RPC 99 (where a skip company adopted the name of mythical creatures inhabiting Wimbledon Common); *Grundy Television Pty Ltd v Startrain Ltd* [1988] FSR 581 ('Neighbours') (where publication of a magazine about characters in the claimant's fictional television series did not imply a representation that the magazine was an official publication by the producers of the television series). The use of a fictional character may, however, be capable of implying a connection: see *Shaw Bros (Hong Kong) Ltd v Golden Harvest (UK) Ltd* [1972] RPC 559 (Hong Kong) ('One Armed Swordsman'); *Hexagon Pty Ltd v Australian Broadcasting Commission* [1976] RPC 628 ('Alvin Purple').

3 See *Lyngstad v Anabas Products Ltd* [1977] FSR 62 at 68 ('ABBA') (where it was held that badges depicting popular musicians satisfied a popular demand among teenagers for effigies of their idols and did not imply that the musicians had authorised them); and cf *Elvis Presley Trade Marks* [1999] RPC 567, CA.

4 This was not established by the plaintiffs in *Lyngstad v Anabas Products Ltd* [1977] FSR 62; *Tavener Rutledge Ltd v Trexapalm Ltd* [1977] RPC 275 ('Kojakpops'); or *Lorimar Productions Inc v Sterling Clothing Manufacturers Ltd* [1982] RPC 395, SA SC. The assumption was held arguable in *IPC Magazines Ltd v Black and White Music Corpn* [1983] FSR 348 ('Judge Dredd') (interlocutory injunction refused). It was successfully argued in *Mirage Studios v Counter-Feat Clothing Co Ltd* [1991] FSR 145 ('Ninja Turtles') (interlocutory injunction granted).

5 See *JB Williams Co v H Bronnley & Co Ltd* (1909) 26 RPC 765 at 773, CA, per Fletcher-Moulton LJ; and para 324 ante. Cf *Children's Television Workshop Inc v Woolworths (NSW) Ltd* [1981] RPC 187, NSW SC ('Muppets'). See also *Tarzan Trade Mark* [1970] RPC 450, CA (where an application to register 'Tarzan' in respect of games, clothes and playthings was refused on the grounds that it had direct reference to the character and quality of goods which portrayed or related to the well known fictional character).

6 *Tavener Rutledge Ltd v Trexapalm Ltd* [1977] RPC 275 at 280–281 per Walton J ('Kojakpops'). See also para 322 ante. A dictum in *Mirage Studios v Counter-Feat Clothing Co Ltd* [1991] FSR 145 at 159 ('Ninja Turtles'), that there is no requirement that the public should rely on the defendant's misrepresentation, is difficult to reconcile with *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 All ER 873 at 889, [1990] 1 WLR 491 at 510, [1990] RPC 341 at 417, HL, per Lord Jauncey of Tullichettle ('Jif Lemon') and with *Harrods Ltd v Harrodian School Ltd* [1996] RPC 697 at 712–713, CA, per Millet LJ. See also *Hodgkinson and Corby Ltd v Wards Mobility Services Ltd* [1994] 1 WLR 1564, [1995] FSR 169.

7 See para 334 ante.

8 *IPC Magazines Ltd v Black & White Music Corpn* [1983] FSR 348.

(v) Internet Domain Names

342. 'Cybersquatting'; domain name as an instrument of fraud. A recent problem thrown up by the widespread use of the internet[1] is the registration of domain names comprising famous names and marks of others, a practice referred to in the press

as 'cybersquatting'[2]. Historically, the courts have had little hesitation in restraining the registration of company names comprising famous names and marks[3], and a similar approach is adopted with respect to domain names.

The principle underlying the courts' intervention in cases of alleged cybersquatting is the jurisdiction to grant injunctive relief where a defendant is equipped with or intending to equip another with an instrument of deception[4]. Where the domain name is of such a nature that any use of it is bound to lead to passing off[5], the court will conclude that it is an instrument of deception[6]. A domain name will also be considered an instrument of deception if considering all the circumstances, including the intention of the defendant[7], the similarity of the names and the type of trade, the domain name is likely to be used for passing off[8].

1 For a description of the features of the internet relevant to an action for passing off see *Pitman Training Ltd v Nominet UK* [1997] FSR 797 at 799–800 per Scott V-C; *British Telecommunications plc v One in a Million Ltd* [1998] 4 All ER 476 at 480–481, [1999] FSR 1 at 5–7, CA, per Aldous LJ.

2 Care has to be taken to distinguish behaviour of this sort from perfectly legitimate uses of domain names. Thus an individual cannot be prevented from registering a domain name comprising his surname, and setting up a website thereunder, simply because his name is also the name of a famous supermarket: see *British Telecommunications plc v One in a Million Ltd* [1998] 4 All ER 476 at 497, [1999] FSR 1 at 23, CA, per Aldous LJ. Similarly, a website whose subject matter is a famous person (e g the website of a fan club), for example, might legitimately use that name in its domain name. Of course, the courts are astute to examine any such excuse carefully. See also PRESS, PRINTING AND PUBLISHING vol 36(2) (Reissue) para 416.

3 See *SA des Anciens Etablissements Panhard and Levassor v Panhard Levassor Motor Co Ltd* [1901] 2 Ch 513, 18 RPC 405; *Glaxo plc v Glaxowellcome Ltd* [1996] FSR 388; *Direct Line Group Ltd v Direct Line Estate Agency* [1997] FSR 374 ('this is not a way of conducting business which the court will tolerate' per Laddie J).

4 See para 331 ante.

5 Eg because it comprises an invented word or other mark which could only be taken as the claimant's trade mark, such as 'Marks & Spencer'.

6 *British Telecommunications plc v One in a Million Ltd* [1998] 4 All ER 476 at 493, 497, [1999] FSR 1 at 18, 23, CA, per Aldous LJ; *Phones 4U Ltd v Phone4u.co.uk Internet Ltd* [2006] EWCA Civ 244, [2007] RPC 83; *Tesco Stores Ltd v Elogicom Ltd* [2006] EWHC 403 (Ch), [2007] FSR 83.

7 If the defendant's intention is to appropriate the goodwill of the claimant or enable others to do so, the court will infer that this will happen even if there is a possibility that such goodwill will not be appropriated: *British Telecommunications plc v One in a Million Ltd* [1998] 4 All ER 476 at 493, [1999] FSR 1 at 18, CA, per Aldous LJ.

8 *British Telecommunications plc v One in a Million Ltd* [1998] 4 All ER 476, [1999] FSR 1, CA; *Musical Fidelity Ltd v Vickers (t/a Vickers Hi-Fi)* [2002] EWCA Civ 1989, [2003] FSR 898. If the domain name is plainly capable of innocent use the position is different: see e g *Radio Taxicabs (London) Ltd v Owner Drivers Radio Taxi Services Ltd* [2004] RPC 351. Of course, if a website is set up under the domain name, the website will be treated as any other publication and the law of passing off applied to it in the usual way: see e g *easyJet Airline Co Ltd v Dainty* [2002] FSR 111.

343. Registration of domain name in a publicly accessible register. The registration of a domain name, including the identity of the registrant, exists in a register maintained by the person with whom the domain name was registered, and which is accessible by the public[1]. It has been held that the putting of a distinctive name on such a register makes a representation to persons who consult the register that the registrant is connected or associated with the name registered and thus the owner of the goodwill in the name[2]; and it causes damage to the claimant by the erosion of goodwill in that name[3]. It follows that mere registration of such a domain name can amount to passing off[4].

1 See *British Telecommunications plc v One in a Million Ltd* [1998] 4 All ER 476 at 496–497, [1999] FSR 1 at 22–23, CA, per Aldous LJ. See also PRESS, PRINTING AND PUBLISHING vol 36(2) (Reissue) para 416.

2 *British Telecommunications plc v One in a Million Ltd* [1998] 4 All ER 476, [1999] FSR 1, CA.

3 *British Telecommunications plc v One in a Million Ltd* [1998] 4 All ER 476 at 497, [1999] FSR 1 at 23, CA, per Aldous LJ; c f *Taittinger SA v Allbev Ltd* [1994] 4 All ER 75, [1993] FSR 641, CA.

4 There may be some factual points that still need to be worked out. The Court of Appeal in *British Telecommunications plc v One in a Million Ltd* [1998] 4 All ER 476, [1999] FSR 1, CA, did not consider fully the circumstances under which a person might consult such a register. It may be that in some cases such a misrepresentation would not be sufficiently material to found an action in passing off: see para 322 ante.

(3) SPECIAL DEFENCES

(i) Use of Trader's Own Name

344. Use by an individual of his own name. An individual has certain rights to make use of his own name in the course of trade where the use of that name by another person would amount to passing off[1]. The original justification for this rule was that, as regards passing off at common law where fraudulent intent was a necessary ingredient of the cause of action[2], the legitimate use by a trader of his own name would not, without more, give rise to the inference of fraudulent intent which would be inferred from the use of that name by a third person who had no legitimate reason for using it[3]. As regards the action in equity, even though the defendant's use of his own name gave rise to misapprehension among the claimant's customers and caused injury to the claimant, there was no equity to restrain the defendant from making a statement of fact, namely that the business was carried on by a person with that name, made honestly in the usual manner in which such statements are made in the course of business and which the defendant had a legitimate interest in making[4].

More recently the appellate courts have adopted a more restrictive attitude to the right of a trader to use his own name[5], and the precise extent of the right is now not altogether clear[6]. This more restrictive approach may owe much to the fact that under modern trading conditions it is less essential than it used to be for a trader to use his personal name in carrying on a business[7].

Whatever the exact scope of a trader's right to use his own name, it is clear that a fraudulent intent will vitiate the right, and there are numerous cases where unsuccessful attempts have been made to pass off by getting individuals with little or no real connection with a business to lend their name to it[8]. Similarly, the unwarranted garnishing of the defendant's name with labelling, style of script or get-up similar to the styles used by the claimant can amount to fraud and can be restrained[9]. Even in the absence of fraud, the writing of the defendant's name in an unclear way[10], or the abbreviating of his name[11] in such a way as to increase the risk of deception, may be restrained, although there is some authority for the proposition that a trader using his own name is not under a positive obligation to take extra precautions to distinguish himself from his established rival[12].

The right of an individual to use his own name extends also to the adoption of a firm name which fairly describes the individuals making up the partnership[13]. The right also extends to assumed names which have been acquired by reputation[14] and to a name which has become familiar to the public as the defendant's fancy name[15], but not to the adoption as a trading style of a mere personal nickname[16].

The balance of authority favours the proposition that, whatever the nature and scope of the right of an individual to use his name as a trading name, it does not extend to a right to mark his goods if deception is thereby caused[17].

1 As to the scope of the action for passing off, and the meaning of 'trader', see para 310 ante.
2 As to the history of the action for passing off see para 305 ante.
3 See *Burgess v Burgess* (1853) 3 De GM & G 896 at 905 per Turner LJ.
4 *Turton v Turton* (1889) 42 ChD 128 at 147, CA, per Fry LJ.
5 *Parker-Knoll Ltd v Knoll International Ltd* [1962] RPC 265, HL, where the majority of the House of Lords (Lord Morris of Borth-y-Gest at 279, Lord Hodson at 283, and Lord Guest at 287 agreeing with

Lord Hodson) adopted the test that, if the plaintiff's name or mark is proved to have acquired a secondary meaning, so as to denote goods made by a particular person and not goods made by any other person even though such other person may have the same name, then a person may, even by using his own name innocently, be making a representation which is untrue and which may be restrained by an action for passing off. See also *John Brinsmead & Sons Ltd v Brinsmead* (1913) 30 RPC 493 at 507–509, CA, per Buckley LJ; *Baume & Co Ltd v AH Moore Ltd* [1958] Ch 907, [1958] 2 All ER 113, [1958] RPC 226, CA.

6 If, as some of the judgments in the cases cited in note 5 supra suggest, a trader can only make use of his own name if to do so will not lead to deception, it is difficult to see what advantage is given by the law to a trader using his own name over a person adopting it arbitrarily. However, in *Parker-Knoll Ltd v Knoll International Ltd* [1962] RPC 265, HL, the majority of the House of Lords approved an injunction containing a proviso that the restraint was not to interfere with any use in good faith by the defendants of their full name, implying that some use could legitimately be made of the name but not making clear what use. In *Marengo v Daily Sketch and Sunday Graphic Ltd* (1948) 65 RPC 242 at 251, HL, Lord Simonds considered that a person may carry on business honestly under his own name notwithstanding that confusion arises. In *Reed Executive plc v Reed Business Information Ltd* [2004] EWCA Civ 159 at [111], [2004] RPC 767 at [111], [2004] IP & T 1049 at [111] and in *IN Newman Ltd v Adlem* [2005] EWCA Civ 714 at [46]–[47], [2006] FSR 253 at [46]–[47], Jacob LJ held that there was a defence if use of the name only caused non-damaging confusion but that there was passing off if a substantial number of people were misled. See also *Taylor Bros Ltd v Taylors Group Ltd* [1988] 2 NZLR 1, NZ HC (to the same effect).

7 See *Parker-Knoll Ltd v Knoll International Ltd* [1962] RPC 265 at 289, HL, per Lord Devlin, who considered it no grave hardship for a trader to pick another name if he enters a market in which his surname has already been appropriated by another trader. The attitude of the courts may be less restrictive in fields, e g the professions, where it is still usual for individuals to trade under their own names: see e g *Parker & Son (Reading) Ltd v Parker* [1965] RPC 323 at 326 per Plowman J (estate agents). See also the judgment of Didcott J in *Boswell-Wilkie Circus (Pty) Ltd v Brian Boswell Circus (Pty) Ltd* [1985] FSR 434, SA SC (which extensively reviews the progressive narrowing in English and Commonwealth authorities of the extent of the right of a trade to use his own name); affd on appeal [1986] FSR 479, SA SC.

8 *Croft v Day* (1843) 7 Beav 84; *Southorn v Reynolds* (1865) 12 LT 75; *Massam v Thorley's Cattle Food Co* (1880) 14 ChD 748, CA; *Joseph Rodgers & Sons Ltd v WN Rodgers & Co* (1924) 41 RPC 277; *Alfred Dunhill Ltd v Sunoptic SA* [1979] FSR 337, CA. A number of cases involve attempts by a scion of a famous family to cash in on the family name: *Alfred Dunhill Ltd v Sunoptic SA* supra; *Guccio Gucci SpA v Gucci* [1991] FSR 89; *Asprey & Garrard Ltd v WRA (Guns) Ltd* [2001] EWCA Civ 1499, [2002] FSR 477. See also para 330 ante.

9 *Croft v Day* (1843) 7 Beav 84 at 89; *J Lyons & Co Ltd v Lyons* (1931) 49 RPC 188; *Parker & Son (Reading) Ltd v Parker* [1965] RPC 323.

10 *Marengo v Daily Sketch and Sunday Graphic Ltd* [1948] 1 All ER 406, 65 RPC 242, HL (where in passing off involving cartoonists 'Kim' and 'Kem', the 'i' of 'Kim' was written in such a way that it could be mistaken for an 'e').

11 *Wright, Layman and Umney Ltd v Wright* (1949) 66 RPC 149, CA; *Taylor Bros Ltd v Taylors Group Ltd* [1988] 2 NZLR 1, NZ HC.

12 *Jamieson & Co v Jamieson* (1898) 15 RPC 169 at 183, CA, per Lindley MR. It is doubtful how far this would now be followed in view of the more restrictive attitude of the courts. See also *Wright, Layman and Umney Ltd v Wright* (1949) 66 RPC 149, CA (where a qualified injunction was granted restraining the defendant from using the name 'Wright' or 'Wrights' without clearly distinguishing his goods from those of the plaintiff).

13 *Turton v Turton* (1889) 42 ChD 128, CA (where Thomas Turton & Sons Ltd sued in respect of confusion caused when the first defendant, on taking his two sons into partnership, changed the firm name from John Turton & Co to John Turton & Sons); c f *Joseph Rodgers & Sons Ltd v WN Rodgers & Co* (1924) 41 RPC 277 (where a man called Muller took a young man called WN Rodgers into partnership and adopted the firm name 'WN Rodgers & Co' for the purpose of trading on the plaintiff's reputation; passages in the judgment which suggest that the right of a trader to use his name is restricted to the use of his full forenames and surname must be read subject to *Turton v Turton* supra).

14 *Jay's Ltd v Jacobi* [1933] Ch 411, 50 RPC 132.

15 *Marengo v Daily Sketch and Daily Graphic Ltd* (1946) [1992] FSR 1, CA; revsd on the facts sub nom *Marengo v Daily Sketch and Sunday Graphic Ltd* [1948] 1 All ER 406, 65 RPC 242, HL.

16 *Biba Group Ltd v Biba Boutique* [1980] RPC 413; *NAD Electronics Ltd v NAD Computer Systems Ltd* [1997] FSR 380.

17 The distinction was first drawn in *Joseph Rodgers & Sons Ltd v WN Rodgers & Co* (1924) 41 RPC 277 at 292 per Romer J, and, although inconsistent with previous authority (see *Burgess v Burgess* (1853) 3 De GM & G 896, CA; *Jamieson & Co v Jamieson* (1898) 15 RPC 169, CA; *John Brinsmead & Sons Ltd v Brinsmead* (1913) 30 RPC 493, CA, all of which involved marking the defendant's name on goods), was

subsequently approved in *Baume & Co Ltd v AH Moore Ltd* [1958] Ch 907 at 916, [1958] 2 All ER 113 at 116, [1958] RPC 266 at 268, CA, per Romer LJ. In *Parker-Knoll Ltd v Knoll International Ltd* [1962] RPC 265, HL, the distinction was approved by Lord Morris of Borth-y-Gest at 279, by Lord Hodson at 284 and by Lord Guest (concurring) at 287, but was criticised as illogical by Lord Denning (dissenting) at 277. See also *Marengo v Daily Sketch and Sunday Graphic Ltd* (1948) 65 RPC 242, HL, which was treated as a case of use of trading name, rather than of application of a mark to goods, even though the signature complained of was applied to copies of cartoons circulated in a newspaper. In *Reed Executive plc v Reed Business Information Ltd* [2004] EWCA Civ 159 at [110]–[112], [2004] RPC 767 at [110]–[112], [2004] IP & T 1049 at [110]–[112] per Jacob LJ, the distinction was treated as settled law; but it was held that there was passing off if a substantial number of people were misled even in the case of use of the name as the name of the business.

345. Use by corporation of its own name. On coming into existence a corporation has its name chosen by its promoters, and it does not have the same natural right to use its name as an individual has[1], but an established company may have such a right even when it enters a market in which it has not previously traded[2]. A newly-formed company may in general take the name under which the business which it is formed to take over has previously been lawfully carried on, but an individual who has no existing business or goodwill to transfer cannot confer upon a new company a special right to use his name[3].

1 *Hendriks v Montagu* (1881) 17 ChD 638. See also *Turton v Turton* (1889) 42 ChD 128 at 146, 148, CA; *Fine Cotton Spinners and Doublers' Association Ltd and John Cash & Sons Ltd v Harwood Cash & Co Ltd* [1907] 2 Ch 184 at 190, 24 RPC 533 at 538 per Joyce J; *Asprey & Garrard Ltd v WRA (Guns) Ltd* [2001] EWCA Civ 1499, [2002] FSR 477. As to the use by an individual of his own name see para 344 ante.

2 *Saunders v Sun Life Assurance Co of Canada* [1894] 1 Ch 537; cf *Adrema Ltd v Adrema-Werke GmbH and BEM Business Efficiency Machines Ltd* [1958] RPC 323; but see *Taylor Bros Ltd v Taylors Group Ltd* [1988] 2 NZLR 1, NZ HC.

3 *Massam v Thorley's Cattle Food Co* (1880) 14 ChD 748, CA; *Tussaud v Tussaud* (1890) 44 ChD 678; *Fine Cotton Spinners and Doublers' Association Ltd and John Cash & Sons Ltd v Harwood Cash & Co Ltd* [1907] 2 Ch 184, 24 RPC 533; *Kingston, Miller & Co Ltd v Thomas Kingston & Co Ltd* [1912] 1 Ch 575, 29 RPC 289.

(ii) Concurrent Rights

346. Concurrent use and shared reputation. In certain circumstances two or more traders may acquire independent rights to carry on trade side by side using the same or similar names or marks, when the use of such names or marks by a third person without any such special right would undoubtedly constitute passing off[1]. These rights are to be distinguished from cases where descriptive[2] or fancy terms are common to the trade as a whole so that any new entrant is entitled to make use of them provided that he does so fairly[3]. Concurrent rights to use proprietary, as opposed to descriptive, names or marks can arise by division between different persons of the goodwill of a business which was initially a single business[4], by attainment of independence by a subsidiary or associated company from its group[5], by natural expansion of businesses using marks of independent origin into areas in which they come into conflict[6], or by continuing use by small local users in good faith after a mark has become generally identified with the products of a particular large manufacturer[7]. A claimant's acquiescence in a defendant's use of a name or mark can result in the defendant's acquiring goodwill of his own in the name or mark so that it becomes unconscionable to allow the claimant to bar the defendant's continued use of that name or mark in an action for passing off[8].

Neither party with a concurrent right to use a name or mark can prevent the other from continuing to use it[9] but the vested right of property of traders in marks which they have honestly adopted and which by public use have attracted valuable goodwill must be accommodated with the interest of the public in not being deceived about the

origin of goods[10]. A concurrent right of use does not, however, justify the use, whether intentionally or not, of a name or mark with attributes which increase the risk of confusion[11].

Another source of concurrent rights of use can arise from the rules of the European Community as to free movement of goods and as to competition[12].

1 Each of the traders may sue a third person without the concurrence of the other if his own business will suffer some damage as a result of the third person's passing off: see para 311 ante.
2 Eg the term 'advocaat': see *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] AC 731, [1979] 2 All ER 927, [1980] RPC 31, HL.
3 See para 319 ante.
4 *Dent v Turpin, Tucker v Turpin* (1861) 2 John & H 139; *Southorn v Reynolds* (1865) 12 LT 75. Concurrent rights can also arise where part of a business is compulsorily severed, e g by the wartime expropriation of the part of a business in one country giving rise to a concurrent right of the original owner and the owner of the expropriated business to use the marks in a third country: see *Ingenohl v Wing On & Co (Shanghai) Ltd* (1927) 44 RPC 343, PC.
5 *Habib Bank Ltd v Habib Bank AG Zurich* [1981] 2 All ER 650, [1981] 1 WLR 1265, [1982] RPC 1, CA; *Anderson & Lembke Ltd v Anderson & Lembke Inc* [1989] RPC 124.
6 *General Electric Co v General Electric Co Ltd* [1972] 2 All ER 507 at 519, [1972] 1 WLR 729 at 743, [1973] RPC 297 at 326, HL, per Lord Diplock; and see *City Link Travel Holdings Ltd v Lakin* [1979] FSR 653. See also *Anheuser-Busch Inc v Budejovicky Budvar Narodni Podnik* [1984] FSR 413, CA, which might be regarded as such a case (and was at first instance by Whitford J) although the ground of decision in the Court of Appeal was that the plaintiff had no goodwill in the United Kingdom.
7 *Star Cycle Co Ltd v Frankenburgs* (1907) 24 RPC 405 at 414, CA, per Fletcher Moulton LJ.
8 *Habib Bank Ltd v Habib Bank AG Zurich* [1981] 2 All ER 650, [1981] 1 WLR 1265, [1982] RPC 1, CA; c f *Poiret v Jules Poiret Ltd* (1920) 37 RPC 177 (where it did not avail the defendants that they had carried on business for several years after the plaintiff had been called up to the war, as they had adopted his name fraudulently). See also *Byford v Oliver* [2003] EWHC 295 (Ch), [2003] EMLR 416.
9 *Edge & Sons Ltd v Gallon & Son* (1900) 17 RPC 557, HL; *Marengo v Daily Sketch and Daily Graphic Ltd* (1946) [1992] FSR 1 at 2, CA, per Lord Greene MR ('Confusion may result from the collision of two independent rights or liberties, and where that is the case neither party can complain; they must put up with the results of the confusion as one of the misfortunes which occur in life') (revsd on the facts sub nom *Marengo v Daily Sketch and Sunday Graphic Ltd* [1948] 1 All ER 406, 65 RPC 242, HL).
10 See *General Electric Co v General Electric Co Ltd* [1972] 2 All ER 507 at 519, [1972] 1 WLR 729 at 743, [1973] RPC 297 at 326, HL, per Lord Diplock.
11 *Marengo v Daily Sketch and Sunday Graphic Ltd* [1948] 1 All ER 406, 65 RPC 242, HL.
12 See the Treaty Establishing the European Community (Rome, 25 March 1957; TS 1 (1973); Cmnd 5179) (the 'EC Treaty') arts 28–30 (formerly arts 30–36; renumbered by virtue of the Treaty of Amsterdam: see *Treaty Citation (No 2) (Note)* [1999] All ER (EC) 646, ECJ).

(iii) Parallel Imports

347. Parallel imports and passing off. 'Parallel imports' means strictly the importation and sale by others of goods originating from the owner of industrial property rights in parallel with his own importation of such goods, whether carried out by himself or through authorised agents[1], but is used more generally to describe the importation and sale by third persons of goods obtained in another country which originate from an internationally known company or group irrespective of whether the company or group satisfies the market in the United Kingdom by imports from that country[2].

The importation and sale in the United Kingdom of the claimant's goods bearing the marks under which the claimant has allowed them to be sold in a foreign country does not generally amount to passing off[3], since no misrepresentation is involved as to the origin of the goods[4]. Attempts by a claimant to argue that the sale of goods bearing a manufacturer's mark impliedly represents that the goods have passed through the accustomed channels of supply have been rejected by the courts[5], as has an attempt to sever and assign the goodwill of the business of importing the goods into the United Kingdom from the goodwill of the business carried on in the country of origin[6]. It

generally makes no difference that the imported goods originate not from the same legal person who supplies the goods to the market in the United Kingdom but from another member of the same group of companies, since in modern trading conditions customers will usually neither know nor care which company within a group is responsible for manufacture or sale of the goods, the commercial origin of which is indicated by marks used by the group as a whole[7]. Even if the goodwill in the United Kingdom attached to the marks is owned by a particular member of the group so that the particular company is the appropriate claimant in an action against passing off by third persons, this does not permit the company to sue in respect of goods originating from another member of the same group if the element of misrepresentation is lacking[8]. It is probable that goods which are manufactured and to which the marks are applied under licence stand in the same position as goods actually made by a member of the group of companies[9].

The importation and sale by the defendant of the claimant's goods of one quality not marketed by the claimant in the United Kingdom can amount to passing off those goods as goods of another quality sold by the claimant in the United Kingdom even where the defendant sells the goods in the packaging in which the claimant, or the claimant's associated or subsidiary company, marketed them in another country[10].

Actionable passing off occurs when the importer alters the labelling on the foreign quality goods to the labelling used by the claimant for his goods of the quality sold on the English market[11]. If the labelling on the foreign goods is different from that on the English goods, it may be difficult for the claimant to establish that the public will assume them to be of the same quality[12].

Where the goods are imported from another member state of the European Community or the European Economic Area ('EEA'), regard should also be had to the overriding effect of the rules of European Community law as to free movement of goods and competition[13].

1 See eg *Imperial Tobacco Co of India Ltd v Bonnan* [1924] AC 755, 41 RPC 411, PC.

2 See eg *Revlon Inc v Cripps and Lee Ltd* [1980] FSR 85, CA.

3 As to the position with regard to registered trade marks see para 107 ante.

4 *Imperial Tobacco Co of India Ltd v Bonnan* [1924] AC 755, 41 RPC 441, PC.

5 *Dental Manufacturing Co Ltd v C De Trey & Co* [1912] 3 KB 76, 29 RPC 517, CA; *Imperial Tobacco Co of India Ltd v Bonnan* [1924] AC 755, 41 RPC 441, PC. Cf *Sony KK v Saray Electronics (London) Ltd* [1983] FSR 302, CA; *Seiko Time Canada Ltd v Consumers Distributing Co Ltd* (1980) 112 DLR (3d) 500.

6 *Lacteosote Ltd v Alberman* [1927] 2 Ch 117, 44 RPC 211.

7 *Revlon Inc v Cripps and Lee Ltd* [1980] FSR 85, CA.

8 *Imperial Tobacco Co of India Ltd v Bonnan* [1924] AC 755 at 763, 41 RPC 441 at 448, PC. See also *Habib Bank Ltd v Habib Bank AG Zurich* [1981] 2 All ER 650 at 661–662, [1981] 1 WLR 1265 at 1278–1279, [1982] RPC 1 at 30, CA, per Oliver LJ.

9 For consideration by a foreign court of the general principles involved see Case IZR 85/71 *Francesco Cinzano & Cie GmbH v Java Kaffeegeschäfte GmbH & Co* [1974] 2 CMLR 21, German SC.

10 *Colgate-Palmolive Ltd v Markwell Finance Ltd* [1989] RPC 497, CA (inferior Colgate toothpaste for the Brazilian market imported in the United Kingdom). See, however, *Revlon Inc v Cripps and Lee Ltd* [1980] FSR 85 at 112, CA, where Templeman LJ held that there could be no passing off when products manufactured, named, labelled and put into circulation by a member of the plaintiff's group of companies were sold by the defendants without any alteration to the contents, name or label.

11 *Champagne Heidsieck & Cie v Scotto and Bishop* (1926) 43 RPC 101.

12 See *Champagne Heidsieck & Cie Monopole SA v Buxton* [1930] 1 Ch 330, 47 RPC 28; *Revlon Inc v Cripps and Lee Ltd* [1980] FSR 85, CA.

13 As to registered trade marks see paras 102–106 ante. In general the same European Community law defences apply to passing off as apply to registered trade marks in respect of goods circulating within the EEA, even though the statutory 'exhaustion' defence does not apply; however, in relation to goods imported from outside the EEA the position under the law of passing off is radically different to registered trade marks: see para 107 ante. As to the EEA see para 102 note 6 ante.

(iv) Name, Mark or Trade of Claimant Fraudulent or Deceptive

348. Claimant disentitled to protection. A claimant may be disentitled to protection in an action for passing off if the trade which he carries on is as a whole fraudulent[1], or if the name or mark which he seeks to protect is fraudulent or deceptive[2], although the making of some collateral misrepresentations in the course of his trade which do not make the trade as a whole a fraud will not disentitle the claimant to relief[3]. The claimant may be guilty of deception as to the origin of goods if he allows goods with which he has no connection to be sold under his name or mark, but allowing this to happen without fraudulent intent for a time because of temporary difficulties need not disentitle him to protection[4].

1 *Lee v Haley* (1869) 5 Ch App 155 at 159; *Bile Bean Manufacturing Co Ltd v Davidson* (1906) 22 RPC 553 (on appeal 23 RPC 725).

2 *Leather Cloth Co Ltd v American Leather Cloth Co Ltd* (1865) 11 HL Cas 523 at 542. As to the position relating to registered trade marks see para 101 ante.

3 *Ford v Foster* (1872) 7 Ch App 611 (false statements made in advertisements that the plaintiff's goods were patented). In *Sykes v Sykes* (1824) 3 B & C 541, the use of the word 'patent' in a trade mark where a patent had expired long ago was held unobjectionable, as it had become part of the description of the article.

4 *JH Coles Pty Ltd v Need* [1934] AC 82, 50 RPC 379, PC. The assignment or licensing of names or marks in gross may render them deceptive and incapable of protection: see paras 314, 316 ante.

5. PROCEDURE RELATING TO TRADE MARKS AND PASSING OFF

(1) INTRODUCTION

349. Jurisdiction of the registrar, of the Office for Harmonisation in the Internal Market and of the courts. Applications to register a United Kingdom trade mark[1] or to protect an international trade mark in the United Kingdom[2], and oppositions[3] to such applications, must be made to the registrar[4]. Applications to register Community trade marks[5], and oppositions[6] to such applications, must be made to the Office for Harmonisation in the Internal Market (Trade Marks and Designs)[7]. The courts have no original jurisdiction to entertain such applications and oppositions.

In the Trade Marks Act 1994, unless the context otherwise requires, 'the court' means the High Court or a designated county court[8]. Proceedings for infringement of United Kingdom registered trade marks, protected international trade marks (UK) and Community trade marks may be brought in these courts[9]. The registrar has no jurisdiction over such proceedings.

In proceedings for revocation, for a declaration of invalidity or for rectification of United Kingdom registered trade marks or protected international trade marks (UK), the applicant may opt to make his application either to the registrar or to the court[10]. In proceedings for infringement of a Community trade mark, the defendant may counterclaim for revocation or a declaration of invalidity[11]. Otherwise revocation or a declaration of invalidity of a Community trade mark may only be sought in the Office for Harmonisation in the Internal Market[12].

Proceedings for passing off[13] may be brought in the High Court[14] or, it would seem, a county court[15]. The registrar has no jurisdiction over passing off proceedings.

Where there are concurrent proceedings before the registrar and the court involving the same or similar issues, the registrar may stay the registry proceedings and, if he does not, the court may do so[16].

All procedure in the Trade Marks Registry is governed by the Trade Marks Rules 2000[17]. The Civil Procedure Rules 1998 do not apply to proceedings in the Registry, but in so far as the registrar has a discretion it will generally be exercised in accordance with the overriding objective[18]. An appeal lies from any decision of the registrar under the Trade Marks Act 1994, including any act of the registrar in exercise of a discretion vested in him by or under that Act, except as otherwise expressly provided by rules[19]. In general, appeals from decisions of the registrar lie, at the option of the appellant, either to the High Court or to a person appointed by the Lord Chancellor[20].

Appeals from decisions of the Office for Harmonisation in the Internal Market lie to the Court of First Instance and thence to the Court of Justice of the European Communities on a point of law[21].

1 As to the requirements for registration see para 55 et seq ante; and as to the procedure on the application see para 352 et seq post.
2 As to protected international trade marks (UK) see para 13 ante.
3 As to opposition proceedings see paras 384–386 post.
4 As to the registrar see para 17 ante; and as to proceedings in the Registry see para 352 et seq post.
5 For the meaning of 'Community trade mark' see para 206 ante.
6 As to oppositions to Community trade mark applications see para 282 ante.
7 As to the Office see para 180 et seq ante.
8 Trade Marks Act 1994 s 75(a) (amended by the High Court and County Courts Jurisdiction (Amendment) Order 2005, SI 2005/587, art 4(1), (2)). The county courts so designated are the Patents County Court and the county courts at Birmingham, Bristol, Cardiff, Leeds, Liverpool, Manchester and Newcastle upon Tyne: High Court and County Courts Jurisdiction Order 1991, SI 1991/724, art 2(7A), (7B) (added by SI 2005/587).

9 County Courts Act 1984 s 15(1) (amended by the High Court and County Courts Jurisdiction Order 1991, SI 1991/724, art 2(8)); High Court and County Courts Jurisdiction Order 1991, SI 1991/724, art 2(7A), (7B) (as added: see note 8 supra); Community Trade Marks Regulations 2006, SI 2006/1027, reg 12. Note that the High Court and County Courts Jurisdiction Order 1991, SI 1991/724, as amended, confers jurisdiction on designated county courts only to grant certain types of relief and to hear claims for invalidity, revocation and rectification, rather than to hear claims for infringement. It was held in *Minsterstone Ltd v Be Modern Ltd* [2002] FSR 807 that county courts already had such jurisdiction under the County Courts Act 1984 s 84 (presumably the intended reference was to s 15); but *Bow v Hart* [1905] 1 KB 592, 22 RPC 222, CA, which decided that there was no such jurisdiction under the County Courts Act 1886 s 56 (repealed), was not cited. High Court trade mark proceedings must be brought in the Chancery Division: *Practice Direction—Patents and Other Intellectual Property Claims* PD63 para 18.1(15), (16).

10 See the Trade Marks Act 1995 ss 46(4), 47(3), 64(2); and para 396 post.

11 See EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, arts 92(d), 96; and paras 251, 262 ante.

12 See ibid art 55; and 289 ante.

13 As to passing off see para 304 et seq ante.

14 High Court proceedings for passing off must be brought in the Chancery Division: *Practice Direction—Patents and Other Intellectual Property Claims* PD63 para 18.1(13).

15 In *Ideal General Supply Co Ltd v Louis Edelson and Bette Edelson (t/a the Ideal Clothing Co)* [1957] RPC 252 at 256, Diplock J reported without comment the view of a county court judge that he had no jurisdiction to entertain a claim for passing off. It would seem, however, that a claim for passing off is a tort claim within the County Courts Act 1984 s 15 (as amended) (see note 9 supra), and a claim for passing off was entertained by Plymouth County Court in *Pasterfield v Denham* [1999] FSR 168. The existence of this jurisdiction is recognised by CPR 63.13(3)(b), (c) and by *Practice Direction—Patents and Other Intellectual Property Claims* PD63 para 18.1(13).

16 *Sears plc v Sears Roebuck & Co* [1993] RPC 385; *Philips Electronics NV v Remington Consumer Products Ltd (No 2)* [1999] ETMR 835, [1999] All ER (D) 351; *GENIUS Trade Mark* [1999] RPC 741, Trade Mark Registry; *Jules Rimet Cup Ltd v Football Association Ltd* [2006] EWHC 2415 (Ch), [2006] All ER (D) 65 (Aug).

17 Ie the Trade Marks Rules 2000, SI 2000/136.

18 Ie under CPR 1.1: Tribunal Practice Notice (TPN 1/2000) [2000] RPC 587. Tribunal Practice Notices are available from the Patent Office or on its website, accessible at the date at which this title states the law at www.patent.gov.uk or www.ipo.gov.uk. As to the Patent Office, its organisation and seal see para 14 note 2 ante; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) paras 666–667. Note that the Patent Office is now operating under the name 'the UK Intellectual Property Office' ('UK-IPO'): see the UK Intellectual Property Office Name Change Fact Sheet.

19 See the Trade Marks Act 1994 s 76(1); and para 405 post. The right of appeal so conferred is much wider than the right of appeal conferred by the Trade Marks Act 1938. As to the limitations on the right of appeal under the Trade Marks Act 1938 see *PREDATOR Trade Mark* [1982] RPC 387. Judicial review was formerly the only means of challenging a decision by the registrar in cases where no appeal was provided for by the Trade Marks Act 1938 or the rules made under it: see *Adidas Sarl's Trade Mark* [1983] RPC 262.

20 See para 405 et seq post.

21 See EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 63; and para 294 ante.

350. Trade marks for textile goods. Under the Trade Marks Act 1938 a record ('the Manchester record') had to be kept at the Manchester branch of the Trade Marks Registry and in that record had to be entered copies of all entries in the general register relating to trade marks registered in respect of textile goods[1]. There is no requirement under the Trade Marks Act 1994 to maintain the Manchester record.

1 See the Trade Marks Act 1938 s 39 (repealed).

351. Sheffield marks for metal goods. Under the Trade Marks Act 1938[1] a register had to be kept by the Cutlers' Company[2] at Sheffield in which were entered marks for metal goods, if the applicant carried on business in Hallamshire or within six miles of it. The Sheffield register formed part of the general register, and marks entered on it had also to be entered in London[3]. By virtue of the Trade Marks Act 1994 the

Sheffield register is to be treated as part of the register kept under the Trade Marks Act 1938; and applications made to the Cutlers' Company which were pending on 31 October 1994 must proceed on and after that date as if they had been made to the registrar[4].

1 See the Trade Marks Act 1938 s 30, Sch 2 (repealed).
2 'The Cutlers' Company' means the Master, Wardens, Searchers, Assistants and Commonalty of the Company of Cutlers in Hallamshire in the county of York: ibid s 38 (repealed). The company was incorporated in 1623 by 21 Jac 1 c 31 (Hallamshire Cutlers) (1623). The Lordship and Liberty of Hallamshire is one of the manors comprised in the old borough of Sheffield.
3 See the Trade Marks Act 1938 s 30, Sch 2 (repealed).
4 See the Trade Marks Act 1994 s 105, Sch 3 para 20; and para 19 note 2 ante. As to the registrar see para 17 ante.

(2) PROCEDURE ON APPLICATION FOR REGISTRATION OF TRADE MARK OR PROTECTION OF INTERNATIONAL MARK

(i) In general

352. Business hours and business days. The registrar[1] may give directions specifying the hours of business of the Patent Office[2] for the purpose of the transaction by the public of business under the Trade Marks Act 1994 and the days which are business days for that purpose[3]. Any directions so given must be published[4] and posted in the Patent Office[5]. The registrar has accordingly directed that the Patent Office is open for all classes of business under the Act on Monday to Friday, between 10.00 am and 4.00 pm[6]. In addition, notices, applications and other documents may be filed[7] up to midnight on Monday to Friday[8]. Applications which do not claim priority[9] may also be filed on Saturdays between 10.00 am and 1.00 pm[10]. The Patent Office will not be open (for any of the above purposes) on Good Friday, Christmas Day, any bank holiday or any Saturday immediately preceded by one of these[11].

Business done on any day after the specified hours of business, or on a day which is not a business day, is deemed to have been done on the next business day; and, where the time for doing anything under the Trade Marks Act 1994 expires on a day which is not a business day, that time is extended to the next business day[12].

1 As to the registrar see para 17 ante.
2 As to the Patent Office, its organisation and seal see para 14 note 2 ante; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) paras 666–667. Note that the Patent Office is now operating under the name 'the UK Intellectual Property Office' ('UK-IPO'): see the UK Intellectual Property Office Name Change Fact Sheet.
3 Trade Marks Act 1994 s 80(1). Directions so given may make different provision for different classes of business and must be published in the prescribed manner: s 80(3).
4 For the meaning of 'publish' see para 17 note 10 ante.
5 Trade Marks Rules 2000, SI 2000/136, rr 2(1), 70.
6 Trade Marks Journal dated 31 October 1994. As to the Trade Marks Journal see para 17 ante.
7 For the meaning of references to 'filing' see para 25 note 2 ante; and as to the filing of documents by electronic means see para 354 post.
8 Trade Marks Journal dated 31 October 1994.
9 Ie under the Trade Marks Act 1994 s 35 (see para 378 post) or s 36 (see para 379 post).
10 Trade Marks Journal dated 31 October 1994.
11 Trade Marks Journal dated 31 October 1994.
12 Trade Marks Act 1994 s 80(2); Trade Marks Journal dated 31 October 1994.

353. Use of forms. The registrar[1] may require the use of such forms as he may direct for any purpose relating to the registration of a trade mark[2] or any other

proceeding before him under the Trade Marks Act 1994[3]. Any forms required by the registrar to be used for the purpose of registration of a trade mark or any other proceedings before him[4] and any directions with respect to their use must be published[5] and any amendment or modification of a form or of the directions with respect to its use must be published[6]. A requirement to use a form as published is satisfied by the use either of a replica of that form or of a form which is acceptable to the registrar and contains the information required by the form as published and complies with any directions as to the use of such a form[7]. If the form used is not a replica, it must preserve the essential features of the prescribed form. The registrar cannot exempt anyone from the obligation to use an acceptable form as and when required by the Trade Marks Act 1994 and the Trade Marks Rules 2000[8], but is able to decide whether departures from the prescribed forms are acceptable[9].

1 As to the registrar see para 17 ante.
2 For the meaning of 'trade mark' see para 57 ante.
3 Trade Marks Act 1994 s 66(1). Any form required to be filed with the registrar in respect of any specified matter is subject to the payment of the fee, if any, prescribed in respect of that matter by rules made under s 79 (see para 16 ante): Trade Marks Rules 2000, SI 2000/136, r 4(2). For the meaning of references to 'filing' see para 25 note 2 ante; and as to the filing of documents by electronic means see para 354 post. As to fees see para 16 ante.
4 Ie pursuant to the Trade Marks Act 1994 s 66.
5 For the meaning of 'publish' see para 17 note 10 ante.
6 Trade Marks Act 1994 s 66(2); Trade Marks Rules 2000, SI 2000/136, r 3(1). The forms required to be used under the Trade Marks Act 1994 and the Trade Marks Rules 2000, SI 2000/136, are published in the Trade Marks Journal and on the website, accessible at the date at which this title states the law at www.patent.gov.uk or www.ipo.gov.uk.
7 Trade Marks Rules 2000, SI 2000/136, r 3(2).
8 Ie the Trade Marks Rules 2000, SI 2000/136 (as amended).
9 *Re M's Application* [1985] RPC 249, CA; *KML Invest AB's Trade Mark Application* [2004] RPC 972, Appointed Person.

354. Filing of documents by electronic means and electronic communications. The registrar[1] may, at his discretion, permit as an alternative to sending by post or delivery of the application, notice or other document in legible form the filing[2] of the application, notice or other document by electronic means subject to such terms or conditions as he may specify either generally by published[3] notice or in any particular case by written notice to the person desiring to file any such documents by such means[4].

The delivery using electronic communications[5] to any person by the registrar of any document is deemed to be effected, unless the registrar has otherwise specified, by transmitting an electronic communication containing the document to an address provided or made available to the registrar by that person as an address of his for the receipt of electronic communications[6]. Unless the contrary is provided such delivery is deemed to be effected immediately upon the transmission of the communication[7].

1 As to the registrar see para 17 ante.
2 For the general meaning of references to 'filing' see para 25 note 2 ante.
3 For the meaning of 'publish' see para 17 note 10 ante.
4 Trade Marks Rules 2000, SI 2000/136, r 69. It is now possible to file a trade mark application online via the Patent Office website, accessible at the date at which this title states the law at www.patent.gov.uk or www.ipo.gov.uk. Note that the Patent Office is now operating under the name 'the UK Intellectual Property Office': see the UK Intellectual Property Office Name Change Fact Sheet.
5 Ie electronic communications within the meaning of the Electronic Communications Act 2000 (see TELECOMMUNICATIONS AND BROADCASTING vol 45(1) (2005 Reissue) para 616): Trade Marks Rules 2000, SI 2000/136, r 69A(2) (r 69A added by SI 2006/760).
6 Trade Marks Rules 2000, SI 2000/136, r 69A(1) (as added: see note 5 supra).
7 Ibid r 69A(1) (as added: see note 5 supra).

355. Translations. Where any document or part thereof which is in a language other than English is filed[1] or sent[2] to the registrar[3], the registrar may require that there be furnished a translation into English of the document or that part, verified to the satisfaction of the registrar as corresponding to the original text[4]. The registrar may, however, refuse to accept any translation which is in his opinion inaccurate; and thereupon another translation of the document in question verified to the satisfaction of the registrar as corresponding to the original text must be furnished[5].

1 For the meaning of references to 'filing' see para 25 note 2 ante. As to the filing of documents by electronic means see para 354 ante.
2 Ie in pursuance of the Trade Marks Act 1994 or the Trade Marks Rules 2000, SI 2000/136 (as amended). For the meaning of 'send' see para 25 note 14 ante.
3 As to the registrar see para 17 ante.
4 Trade Marks Rules 2000, SI 2000/136, r 72(1).
5 Ibid r 72(2).

356. Calculation of times and periods; alteration of time limits. The registrar[1] may certify any day as an interrupted day[2] where:

(1) there is an event or circumstance causing an interruption in the normal operation of the Patent Office[3]; or
(2) there is a general interruption or subsequent dislocation in the postal services of the United Kingdom[4].

Any such certificate of the registrar must be posted in the Patent Office and advertised in the Trade Marks Journal[5]. Where the time for doing anything under the Trade Marks Rules 2000[6] expires on an interrupted day, the registrar must extend that time to the next following day not being an interrupted day (or an excluded day)[7].

The registrar must extend any time limit in the Trade Marks Rules 2000 where he is satisfied that the failure to do something under those rules was wholly or mainly attributed to a delay in, or failure of, a communication service[8]. Any such extension is to be made after giving the parties such notice, and subject to such conditions, as the registrar may direct[9].

Subject to a number of important exceptions[10], the time or periods prescribed[11] or specified by the registrar for doing any act or taking any proceedings may, at the written request of the person or party concerned, or on the initiative of the registrar[12], be extended by the registrar as he thinks fit, upon such terms as he may direct[13]. When a request for extension of a time or period prescribed by certain rules[14] is made, the party seeking the extension must send a copy of the request to each person party to the proceedings[15]. A request for an extension must be made before the time or period in question has expired[16]; but, where the request for extension is made after the time or period has expired, the registrar may, at his discretion, extend the period or time if he is satisfied with the explanation for the delay in requesting the extension and it appears to him to be just and equitable to do so[17].

Where the period within which any party to any proceedings before the registrar may file evidence[18] is to begin upon the expiry of any period in which any other party may file evidence and that other party notifies the registrar that he does not wish to file any, or any further, evidence, the registrar may direct that the period within which the first-mentioned party may file evidence is to begin on such date as may be specified in the direction and must notify all parties to the dispute of that date[19].

Provision is made for the correction of irregularities in procedure which consist in failure to comply with limitations of specified periods or times[20].

1 As to the registrar see para 17 ante.
2 Ie a day certified by the registrar under the Trade Marks Rules 2000, SI 2000/136, r 67(1): r 67(4) (r 67 substituted by SI 2006/760).

3 Trade Marks Rules 2000, SI 2000/136, r 67(1)(a) (as substituted: see note 2 supra). As to the Patent Office, its organisation and seal see para 14 note 2 ante; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) paras 666–667. Note that the Patent Office is now operating under the name 'the UK Intellectual Property Office' ('UK-IPO'): see the UK Intellectual Property Office Name Change Fact Sheet.

4 Trade Marks Rules 2000, SI 2000/136, r 67(1)(b) (as substituted: see note 2 supra). For the meaning of 'United Kingdom' see para 3 note 2 ante.

5 Ibid r 67(2) (as substituted: see note 2 supra).

6 Ie the Trade Marks Rules 2000, SI 2000/136 (as amended).

7 Ibid r 67(3) (as substituted: see note 2 supra). An 'excluded day' is a day which is not a business day as specified in a direction given by the registrar under the Trade Marks Act 1994 s 80 (see para 352 ante): Trade Marks Rules 2000, SI 2000/136, r 67(4) (as so substituted).

8 Ibid r 67A(1) (r 67A added by SI 2006/760). A communication service is a service by which documents may be sent and delivered, and includes post, facsimile, email and courier: Trade Marks Rules 2000, SI 2000/136, r 67A(3) (as so added).

9 Ibid r 67A(2) (as added: see note 8 supra).

10 The exceptions are specified in ibid r 68(3) (amended SI 2004/947; SI 2006/760). Under this provision, the times or periods prescribed by the following rules are excepted: the Trade Marks Rules 2000, SI 2000/136, r 10A(2) (as added) (direction to file address for service: see para 357 post), r 11 (deficiencies in application: see para 363 post), r 13(1) (time for filing opposition: see para 384 post), r 13A(1) (as added) and rr 31(3), 32(3), 33(6) (times for filing counter-statement: see paras 384, 398–400 post), r 23(4) (time for filing opposition to amendment of regulations governing use of registered collective or certification mark: see paras 161, 172 ante), r 25(3) (time for filing opposition to alteration of registered trade mark: see para 393 post), r 29 (delayed renewal: see para 29 ante), r 30 (restoration of registration: see para 30 ante), and r 47 (time for filing opposition to proposals to amend register following reclassification: see para 392 post).

11 Ie prescribed by the Trade Marks Rules 2000, SI 2000/136 (as amended).

12 A request for the extension of a period prescribed, which is filed after the application has been published under ibid r 12 (see para 383 post) must be on Form TM9 and must in any other case be on that form if the registrar so directs: r 68(2)(b). As to the use of forms see para 353 ante.

13 Ibid r 68(1). The registrar has published two Tribunal Practice Notices (TPN 3/2000 and TPN 1/2003) setting out the circumstances in which an application to extend the time limit for an appeal will be granted. Tribunal Practice Notices are available from the Patent Office or on its website, accessible at the date at which this title states the law at www.patent.gov.uk or www.ipo.gov.uk.

14 Ie a time or periods prescribed by the Trade Marks Rules 2000, SI 2000/136, rr 13–13C (as amended) (see para 384 post), r 18 (see para 375 post), r 23 (see paras 161, 172 ante), r 25 (see para 393 post), rr 31, 31A (as added), 32, 32A (as added), 33, 33A (as added) (see paras 398–400 post) or r 34 (see para 401 post).

15 Ibid r 68(2)(a) (amended by SI 2004/947).

16 Trade Marks Rules 2000, SI 2000/136, r 68(4).

17 Ibid r 68(5).

18 Ie under the Trade Marks Rules 2000, SI 2000/13 (as amended).

19 Ibid r 68(6).

20 See ibid r 68(7); and para 361 post.

357. Address for service. For the purposes of any proceedings under the Trade Marks Act 1994 or the Trade Marks Rules 2000[1], an address for service must be filed by:

(1) an applicant for the registration of a trade mark[2];

(2) any person who opposes the registration of a trade mark in opposition proceedings[3];

(3) any person who applies for revocation[4], a declaration of invalidity[5] or rectification[6] under the Act[7];

(4) the proprietor[8] of the registered trade mark who opposes such an application[9].

The proprietor of a registered trade mark, or any person who has registered an interest in a registered trade mark, may file an address for service on the appropriate form[10]. Where a person has provided an address for service, he may substitute a new address for service by notifying the registrar on the same type of form[11].

An address for service filed by an applicant for the registration of a trade mark, the proprietor of a registered trade mark or any person who has registered an interest in a

registered trade mark must be an address in the United Kingdom[12], another EEA state[13] or the Channel Islands[14]. An address for service filed by a person who opposes the registration of a trade mark in opposition proceedings, a person who applies for revocation, a declaration of invalidity or rectification or a proprietor who opposes such an application must be an address in the United Kingdom, unless in a particular case the registrar otherwise directs[15].

Where a person had failed to file an address for service[16] as required[17] and the registrar has sufficient information enabling him to contact that person, the registrar must direct that person to file an address for service[18]. Where such a direction has been given, the person directed must file an address for service before the end of the period of two months beginning with the date of the direction[19]. Where the registrar has insufficient information to give such a direction or a direction was given and the person had failed to provide an address for service by the expiry of the two month period[20], then:

(a) in the case of an applicant for the registration of a trade mark, the application will be treated as withdrawn[21];
(b) in the case of a person opposing the registration of a trade mark, his opposition will be treated as withdrawn[22];
(c) in the case of a person applying for revocation, a declaration of invalidity or rectification, his application will be treated as withdrawn[23]; and
(d) in the case of a proprietor opposing such an application, he will be deemed to have withdrawn from the proceedings[24].

The holder of an international registration who requests protection of the trade mark in the United Kingdom (via the International Bureau[25]) is not required to file an address for service unless and until he needs to make representations in order to overcome a notice of provisional refusal after examination[26], he files a counter-statement to an opposition to his mark[27], or he files a counter-statement to an application for revocation or a declaration of invalidity of his mark[28]. Where the holder files an address for service to make representations it must be an address for service in the United Kingdom, another EEA state or the Channel Islands[29]. Where the holder files a counter-statement to opposition proceedings, the address must be an address in the United Kingdom[30]. Where the holder files a counter-statement to revocation or invalidity proceedings, the address must be an address in the United Kingdom unless in a particular case the registrar otherwise directs[31].

1 Ie the Trade Marks Rules 2000, SI 2000/136 (as amended).
2 Ibid r 10(1)(a) (r 10 substituted by SI 2006/760). As to the requirements for registration see para 55 et seq ante; and as to the procedure on the application see para 363 et seq post.
3 Trade Marks Rules 2000, SI 2000/136, r 10(1)(b) (as substituted: see note 2 supra). As to opposition proceedings see paras 384–386 post.
4 As to revocation see paras 114 et seq ante, 396 et seq post.
5 As to a declaration of invalidity see paras 118 et seq ante, 396 et seq post.
6 As to rectification see paras 121 ante, 396 et seq post.
7 Trade Marks Rules 2000, SI 2000/136, r 10(1)(c) (as substituted: see note 2 supra).
8 For the meaning of 'proprietor' see para 22 note 8 ante.
9 Trade Marks Rules 2000, SI 2000/136, r 10(1)(d) (as substituted: see note 2 supra).
10 Ibid r 10(2) (as substituted: see note 2 supra). The appropriate form is Form TM33: r 10(2) (as so substituted). As to the use of forms see para 353 ante.
11 Ibid r 10(3) (as substituted: see note 2 supra). It is the responsibility of the person concerned to notify any change of address for service to the registrar, and the registrar is under no duty to verify the currency of the address for service when sending documents: *OIOI Trade Mark* (O/340/04), Appointed Person.
12 For the meaning of 'United Kingdom' see para 3 note 2 ante.
13 'EEA state' means a member state (i e of the European Community), Iceland, Liechtenstein or Norway: Trade Marks Rules 2000, SI 2000/136, r 2 (amended by SI 2006/763). As to the EEA see para 102 note 6 ante.

14 Trade Marks Rules 2000, SI 2000/136, r 10(4) (as substituted: see note 2 supra).
15 Ibid r 10(5) (as substituted (see note 2 supra), and amended by SI 2006/1029).
16 Ie an address for service which complies with the requirements of the Trade Marks Rules 2000, SI 2000/136, r 10(4) or (5): r 10A(5) (r 10A added by SI 2006/760).
17 Ie under the Trade Marks Rules 2000, SI 2000/136, r 10(1).
18 Ibid r 10A(1) (as added: see note 16 supra).
19 Ibid r 10A(2) (as added: see note 16 supra).
20 Ibid r 10A(3) (as added: see note 16 supra).
21 Ibid r 10A(4)(a) (as added: see note 16 supra).
22 Ibid r 10A(4)(b) (as added: see note 16 supra).
23 Ibid r 10A(4)(c) (as added: see note 16 supra).
24 Ibid r 10A(4)(d) (as added: see note 16 supra).
25 As to seeking protection for trade marks via the International Bureau see para 365 post.
26 Trade Marks (International Registration) Order 1996, SI 1996/714, art 9(5) (amended by SI 2006/763); Trade Marks (International Registration) Order 1996, SI 1996/714, art 9A(3) (added by SI 2004/948; and amended by SI 2006/763). As to examination of the international registration and notices of refusal see para 372 post.
27 Trade Marks (International Registration) Order 1996, SI 1996/714, art 10B(1)(b) (added by SI 2004/948). As to opposition proceedings see paras 384–386 post.
28 Trade Marks (International Registration) Order 1996, SI 1996/714, art 13(1A)(b) (added by SI 2004/948; and amended by SI 2006/763).
29 Trade Marks (International Registration) Order 1996, SI 1996/714, arts 9(5), 9A(3) (art 9(5) as amended; and art 9A(3) as added and amended: see note 26 supra). The address for service must be filed on Form TM33: arts 9(5), 9A(3) (art 9(5) as amended; and art 9A(3) as added and amended: see note 26 supra).
30 Ibid art 10B(1)(b) (as added: see note 27 supra).
31 Ibid art 13(1B) (added by SI 2006/763; and amended by SI 2006/1080).

(ii) Procedural Powers of the Registrar

358. In general. Without prejudice to any provisions of the trade marks legislation[1] requiring the registrar[2] to hear any party to proceedings under that legislation[3], or to give such party an opportunity to be heard, the registrar must, before taking any decision on any matter which is or may be adverse to any party to any proceedings before him, give that party an opportunity to be heard[4]. The registrar must give that party at least 14 days' notice of the time when he may be heard unless that party consents to shorter notice[5].

In relation to the examination of witnesses on oath and the disclosure and production of documents, the registrar has all the powers of an official referee of the Supreme Court (now referred to as a judge of the Technology and Construction Court)[6]; and the rules applicable to the attendance of witnesses before such a referee apply in relation to the attendance of witnesses in proceedings before the registrar[7].

At any stage of any proceedings before him, the registrar may direct that the parties to the proceedings attend a case management conference where they have an opportunity to be heard with regard to the future conduct of the proceedings, and in particular with regard to the proposed exercise of any of the registrar's powers[8]. Further, the registrar may direct that the parties attend a pre-hearing review at which he may give such directions as to the conduct of the hearing as he may think fit[9]. The Patent Office has issued general guidance as to the practice which will be followed in exercise of the registrar's powers of case management, pre-hearing review and generally when the registrar is acting as a tribunal[10].

The hearing before the registrar of any dispute between two or more parties relating to any matter in connection with an application for the registration of a mark or a registered mark must be in public unless the registrar, after consultation with those parties who appear in person or are represented at the hearing, otherwise directs[11].

1 Ie any provisions of the Trade Marks Act 1994 or the Trade Marks Rules 2000, SI 2000/136 (as amended).

2 As to the registrar see para 17 ante.

3 Ie proceedings under the Trade Marks Act 1994 or the Trade Marks Rules 2000, SI 2000/136 (as amended).

4 Ibid r 54(1). Tribunal Practice Notice (TPN 5/2000) [2001] RPC 253 sets out the registrar's practice with regard to hearings under the Trade Marks Rules 2000, SI 2000/136, r 54. Tribunal Practice Notices are available from the Patent Office or on its website, accessible at the date at which this title states the law at www.patent.gov.uk or www.ipo.gov.uk. As to the Patent Office, its organisation and seal see para 14 note 2 ante; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) paras 666–667. Note that the Patent Office is now operating under the name 'the UK Intellectual Property Office' ('UK-IPO'): see the UK Intellectual Property Office Name Change Fact Sheet.

The right to a hearing is a fundamental right under the Convention for the Protection of Human Rights and Fundamental Freedoms (Rome, 4 November 1950; TS 71 (1953); Cmd 8969) art 6, and the denial of a hearing will normally constitute a serious irregularity in procedure: *Gracey's Trade Mark Application* (O/375/01), Appointed Person; *MOVIESTAR Trade Mark* [2005] RPC 623, Appointed Person. Where a decision is taken in breach of the Trade Marks Rules 2000, SI 2000/136, r 54, the affected party is entitled to challenge the decision under r 66 (see para 361 post): *RAPIER Trade Mark* (O/170/07), Appointed Person.

5 Trade Marks Rules 2000, SI 2000/136, r 54(2).

6 Trade Marks Act 1994 s 69(b); Trade Marks Rules 2000, SI 2000/136, r 58(1). As from a day to be appointed these provisions are amended so as to refer to the Senior Courts or the Court of Judicature: Trade Marks Act 1994 s 69(b) (prospectively amended by the Constitutional Reform Act 2005 s 59(5), Sch 11 para 31); Trade Marks Rules 2000, SI 2000/136, r 58(1) (prospectively amended by virtue of the Constitutional Reform Act 2005 s 59(5), Sch 11). At the date at which this volume states the law no such day had been appointed.

The power to order disclosure (formerly referred to as discovery) of documents should be exercised only in respect of documents which are relevant to the matter in dispute and disclosure of which is necessary to dispose fairly of the proceedings: *LIFESAVERS Trade Mark* [1997] RPC 563; and see also *Merrell Dow Pharmaceuticals Inc's (Terfenidine) Patent* [1991] RPC 221.

7 Trade Marks Act 1994 s 69(c); Trade Marks Rules 2000, SI 2000/136, r 58(2).

8 Ibid r 36. The registrar must give the parties at least 14 days notice of the date of the case management conference: r 36.

9 Ibid r 37. The registrar must give the parties at least 14 days notice of the date of the pre-hearing review: r 37.

10 Tribunal Practice Notice (TPN 1/2000) [2000] RPC 587. The Tribunal Practice Notice relates generally to proceedings relating to patents, trade marks and designs, and applies to proceedings where there are two or more parties in front of the registrar as well as proceedings where only one party and the registrar are involved.

11 Trade Marks Rules 2000, SI 2000/136, r 59(1). Nothing in r 59 prevents a member of the Council on Tribunals or of its Scottish Committee from attending a hearing in his capacity as such: r 59(2). As to the Council on Tribunals see ADMINISTRATIVE LAW vol 1(1) (2001 Reissue) para 55 et seq. As to the registrar's decisions see para 404 post.

359. Evidence. Where evidence may be admitted[1] by the registrar[2] in any proceedings before him, it must be by the filing[3] of a statutory declaration or affidavit[4]. A witness statement verified by a statement of truth may be used as an alternative[5], but the registrar may direct as he thinks fit in any particular case that evidence must be given by affidavit or statutory declaration instead of or in addition to such a witness statement[6]. The registrar may in any particular case take oral evidence in lieu of or in addition to such evidence; and, unless he otherwise directs, he must allow any witness to be cross-examined on his statutory declaration, affidavit or oral evidence[7]. Where a party adduces evidence of a statement made by a person otherwise than by giving oral evidence in the proceedings and does not call that person as a witness, the registrar may if he thinks fit permit any other party to call that person as a witness and cross-examine him on the statement as if he were called as a witness by the party relying on his statement and as if it were his evidence in chief[8].

Any statutory declaration or affidavit duly filed[9] must be made and subscribed as follows[10]:

(1) in the United Kingdom[11], before any justice of the peace or any commissioner

or other officer authorised by law in any part of the United Kingdom to administer an oath for the purpose of any legal proceedings[12];

(2) in any other part of Her Majesty's dominions or in the Republic of Ireland, before any court, judge, justice of the peace or any officer authorised by law to administer an oath there for the purpose of any legal proceedings[13]; and

(3) elsewhere, before a commissioner for oaths, notary public, judge or magistrate[14].

Any document purporting to have affixed, impressed or subscribed thereto or thereon the seal or signature of any person so authorised to take a declaration may be admitted by the registrar without proof of the genuineness of the seal or signature, or of the official character of the person or his authority to take the declaration[15].

At any stage of any proceedings before the registrar, he may direct that such documents, information or evidence as he may reasonably require are to be filed within such period as he may specify[16].

1 Ie under the Trade Marks Rules 2000, SI 2000/136 (as amended).
2 As to the registrar see para 17 ante.
3 For the meaning of references to 'filing' see para 25 note 2 ante. As to the filing of documents by electronic means see para 354 ante.
4 Trade Marks Act 1994 s 69(a); Trade Marks Rules 2000, SI 2000/136, r 55(1).
5 Ibid r 55(3). The practice and procedure of the High Court with regard to witness statements and statements of truth, their form and contents and the procedure governing their use apply as appropriate to all proceedings under the Trade Marks Rules 2000, SI 2000/136 (as amended): r 55(4).
6 Ibid r 55(3).
7 Ibid r 55(2).
8 Ibid r 55(5). If a party desires to test the evidence given by affidavit, statutory declaration or witness statement, then prima facie and within reason he should be allowed to do so: *Alliance & Leicester plc's Trade Mark Application* [2002] RPC 573. The registrar requires reasonable written notice to be given of any desire to cross-examine a witness: Tribunal Practice Notice (TPN 1999) [1999] RPC 294. Tribunal Practice Notices are available from the Patent Office or on its website, accessible at the date at which this title states the law at www.patent.gov.uk or www.ipo.gov.uk. As to the Patent Office, its organisation and seal see para 14 note 2 ante; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) paras 666–667. Note that the Patent Office is now operating under the name 'the UK Intellectual Property Office' ('UK-IPO'): see the UK Intellectual Property Office Name Change Fact Sheet.
9 Ie filed under the Trade Marks Act 1994 or the Trade Marks Rules 2000, SI 2000/136 (as amended).
10 Ibid r 56(1).
11 For the meaning of 'United Kingdom' see para 3 note 2 ante.
12 Trade Marks Rules 2000, SI 2000/136, r 56(1)(a).
13 Ibid r 56(1)(b).
14 Ibid r 56(1)(c).
15 Ibid r 56(2).
16 Ibid r 57. This power is wide enough to enable the registrar to require a party to clarify his case, including by way of amendment to his statement of the case: *BSA BY R2 Trade Mark* (O/144/07), Appointed Person.

360. Costs and security for costs. The registrar[1] may in any proceedings before him, under the Trade Marks Act 1994 or the Trade Marks Rules 2000[2], by order award any party such costs as he may consider reasonable; and he may direct how and by what parties they are to be paid[3]. Any such order of the registrar may be enforced in the same way as an order of the High Court[4].

The registrar may require any person who is a party in any proceedings before him, under the Trade Marks Act 1994 or the Trade Marks Rules 2000, to give security for costs in relation to those proceedings; and he may require security for the costs of any appeal from his decision[5]. In default of such security being given, the registrar, in the case of proceedings before him, or the person duly appointed[6], in the case of an appeal, may treat the party in default as having withdrawn his application, opposition, objection or intervention, as the case may be[7].

1 As to the registrar see para 17 ante.

2 Ie the Trade Marks Rules 2000, SI 2000/136 (as amended).
3 Trade Marks Act 1994 s 68(1); Trade Marks Rules 2000, SI 2000/136, r 60. The registrar's normal practice is to make modest awards of costs on a scale, but he has a discretion to order compensatory costs: *Rizla Ltd's Application* [1993] RPC 365. The Patent Office has issued guidance as to the practice in exercising powers to award costs in, inter alia, trade mark matters: Tribunal Practice Notice (TPN 2/2000) [2000] RPC 598. Tribunal Practice Notices are available from the Patent Office or on its website, accessible at the date at which this title states the law at www.patent.gov.uk or www.ipo.gov.uk. As to the Patent Office, its organisation and seal see para 14 note 2 ante; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) paras 666–667. Note that the Patent Office is now operating under the name 'the UK Intellectual Property Office' ('UK-IPO'): see the UK Intellectual Property Office Name Change Fact Sheet.
4 Trade Marks Act 1994 s 68(2)(a).
5 Ibid s 68(3); Trade Marks Rules 2000, SI 2000/136, r 61(1).
6 Ie appointed under the Trade Marks Act 1994 s 76: see para 405 et seq post.
7 Ibid s 68(3); Trade Marks Rules 2000, SI 2000/136, r 61(2).

361. Correction of irregularities of procedure. Any irregularity in procedure[1] in or before the Patent Office[2] or the registrar[3] may be rectified on such terms as the registrar may direct[4]. In the case of an irregularity or prospective irregularity:

(1) which consists of a failure to comply with any limitation as to specified times or periods[5] and which has occurred or appears to the registrar as likely to occur in the absence of a direction; and
(2) which is attributable wholly or in part to an error, default or omission on the part of the Patent Office or the registrar[6] and which it appears to the registrar should be rectified,

he may direct that the time or period in question be altered in such manner as he may specify[7].

1 An irregularity in procedure is simply a failure to observe procedural rules, whatever the cause of the failure may be: *E's Applications* [1983] RPC 231 at 250, HL, per Diplock LJ.
2 As to the Patent Office, its organisation and seal see para 14 note 2 ante; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) paras 666–667. Note that the Patent Office is now operating under the name 'the UK Intellectual Property Office' ('UK-IPO'): see the UK Intellectual Property Office Name Change Fact Sheet.
3 As to the registrar see para 17 ante.
4 Trade Marks Rules 2000, SI 2000/136, r 66, which is expressed to be subject to r 68 (see the text and notes 5–7 infra; and para 356 ante). The registrar's powers under r 66 cannot be used in a manner contrary to other provisions of the Trade Marks Act 1994 or the Trade Marks Rules 2000, SI 2000/136 (as amended), and accordingly cannot be used to extend time limits which are inextensible by virtue of r 68(3): *E's Applications* [1983] RPC 231, HL; *KML Invest AB's Trade Mark Application* [2004] RPC 972, Appointed Person. The registrar has power under the Trade Marks Rules 2000, SI 2000/136, r 66 to withdraw the registration of a trade mark if the registration was procedurally irregular: see *Andreas Stihl AG & Co's Trade Mark Application* [2001] RPC 215, Appointed Person; *BAT OUT OF HELL Trade Mark* (O/398/02), Appointed Person.
5 Ie times or periods specified in the Trade Marks Act 1994, the Trade Marks Rules 2000, SI 2000/136 (as amended), or the old law as that law continues to apply. For the meaning of 'old law' see para 15 note 2 ante.
6 An attempt by a solicitor to file a notice of opposition on the last day which failed because he attempted to use an out of date fax number, when the current fax numbers of the Patent Office were published weekly in the Trade Marks Journal, did not amount to an irregularity in the Patent Office and so there was no power to extend time: *MONSTER MUNCH Trade Mark* [1997] RPC 721, Trade Marks Registry.
7 Trade Marks Rules 2000, SI 2000/136, r 68(7), which is expressed to be without prejudice to the registrar's powers to extend any time or periods under r 68(1)–(6) (see para 356 ante). The registrar's powers under r 68(7) cannot be used to extend time limits which are inextensible by virtue of r 68(3): *E's Applications* [1983] RPC 231, HL; *KML Invest AB's Trade Mark Application* [2004] RPC 972, Appointed Person.

362. Registrar's inherent jurisdiction. The registrar[1] has an inherent jurisdiction to regulate procedure before him provided that he neither creates a substantial jurisdiction where none existed nor exercises that power in a manner inconsistent with

the express provisions conferring jurisdiction upon him[2]. It appears that it is pursuant to this inherent jurisdiction that the registrar grants or refuses parties to proceedings before him permission to amend their statements of case[3].

1 As to the registrar see para 17 ante.
2 *Pharmedica GmbH's Trade Mark Application* [2000] RPC 536, [2000] All ER (D) 28; *ACADEMY Trade Mark* [2000] RPC 35, Appointed Person; *Hyde's Trade Mark Applications (No 2)* (O/333/05), Appointed Person.
3 See *COFFEEMIX Trade Mark* [1998] RPC 717, Appointed Person; and cf *BSA BY R2 Trade Mark* (O/144/07), Appointed Person.

(iii) Application for Registration

363. Application relating to United Kingdom registered marks. An application for registration[1] of a trade mark[2] must be made to the registrar[3] and must be filed[4] on the appropriate form[5]. The application must contain: (1) a request for registration of a trade mark; (2) the name and address of the applicant[6]; (3) a statement of the goods or services in relation to which it is sought to register the trade mark[7]; and (4) a representation[8] of the trade mark[9]. The application must also specify the class or classes to which it relates[10]. The application must state that the trade mark is being used[11], by the applicant or with his consent, in relation to those goods or services, or that he has a bona fide intention that it should be so used[12].

The application is subject to the payment of the application fee and such class fees as may be appropriate[13].

Where an application for registration of a trade mark does not satisfy the statutory requirements[14], the registrar must send[15] notice thereof to the applicant to remedy the deficiencies or, as the case may be, default of payment[16]. If within two months of the date of the notice[17] the applicant:

(a) fails to remedy any deficiency relating to the contents of the application notified to him[18], the application is deemed never to have been made[19]; or
(b) fails to remedy any other deficiency[20] notified to him or fails to make payment[21], the application is treated as abandoned[22].

1 For the meaning of 'registration' see para 19 note 2 ante.
2 For the meaning of 'trade mark' see para 57 ante.
3 As to the registrar see para 17 ante.
4 For the meaning of references to 'filing' see para 25 note 2 ante. As to the filing of documents by electronic means see para 354 ante.
5 Trade Marks Act 1994 s 32(1); Trade Marks Rules 2000, SI 2000/136, r 5(1). The appropriate form is Form TM3: r 5(1). As to the use of forms see para 353 ante.

An application for registration of a mark under the Trade Marks Act 1938 which was pending on 31 October 1994 must be dealt with under the old law and, if registered, the mark must be treated as an existing registered mark: Trade Marks Act 1994 s 105, Sch 3 para 10(1). The power of the Secretary of State under s 78 (see para 15 ante) to make rules regulating practice and procedure, and as to the matters mentioned in s 78(2), is exercisable in relation to such an application; and different provision may be made for such applications from that made for other applications: Sch 3 para 10(2). As to the Secretary of State see para 14 ante. The Trade Marks Act 1938 s 23 (repealed) (provisions as to associated trade marks) must be disregarded in dealing on and after 31 October 1994 with an application for registration: Trade Marks Act 1994 Sch 3 para 10(3). For the meaning of 'the old law' see para 4 note 3 ante; and for the meaning of 'existing registered mark' see para 4 note 2 ante.

In the case of a pending application for registration which had not been advertised under the Trade Marks Act 1938 s 18 (repealed) before 31 October 1994, the applicant might give notice to the registrar claiming to have the registrability of the mark determined in accordance with the provisions of the Trade Marks Act 1994: Sch 3 para 11(1). Notice duly given was irrevocable and had the effect that the application was treated as if made immediately after 31 October 1994: Sch 3 para 11(3).
6 An application by a partnership may now be made in the name of the partnership, rather than in the names of the individual partners as formerly: Practice Amendment Notice PAN 2/04; but see *Drinkstop Ltd v Michaels Foodmarket* (O/168/05), Appointed Person.

7 It is not permissible to specify the goods or services by means of a statement that the goods or services in question do not possess a particular characteristic: Case C-363/99 *Koninklijke KPN Nederland NV v Benelux-Merkenbureau* [2006] Ch 1, [2004] ECR I-1619, ECJ; *Croom's Trade Mark Application* [2005] RPC 23, Appointed Person (limitation to clothing 'none being items of haute couture' not allowed); *Oska's Ltd's Trade Mark Application* [2005] RPC 525 (limitation to clothing for sale to particular market not allowed). A restriction on the scope of the goods or services is, however, permissible even if framed in negative terms: *SVM Asset Management Ltd's Trade Mark Application* (O/043/05), Appointed Person (limitation to financial services 'not including the provision of venture capital' and 'not including the provision of any such services to the pharmaceutical biotechnological and bioscientific sectors' both allowed).

8 A trade mark must be capable of being represented graphically: see the Trade Marks Act 1994 s 1(1); and para 57 ante. The registrar's current practice in relation to marks incorporating or consisting of colours is set out in Practice Amendment Notice (PAN 3/03).

9 Trade Marks Act 1994 s 32(2).

10 See the Trade Marks Rules 2000, SI 2000/136, r 8(2)(a), (3) (as amended); and para 371 post. As to the classification of goods and services see para 369 et seq post.

11 For the meaning of 'use' see para 60 note 8 ante.

12 Trade Marks Act 1994 s 32(3). If the applicant does not intend to use the mark, the application may be objectionable as made in bad faith: see para 69 ante.

13 Ibid s 32(4); Trade Marks Rules 2000, SI 2000/136, r 5(1). As to fees see para 16 ante.

14 Ie the requirements of the Trade Marks Act 1994 s 32(2), (3) or (4) (see the text and notes 1–13 supra); or the Trade Marks Rules 2000, SI 2000/136, r 5 (see the text and notes 1–13 supra) or r 8(2)(a) (as amended) (see para 371 post).

15 For the meaning of 'send' see para 25 note 14 ante.

16 Trade Marks Rules 2000, SI 2000/136, r 11 (amended by SI 2004/497). The reference to default of payment is to such default in the case of the Trade Marks Act 1994 s 32(4): see the text to note 13 supra.

17 This period may not be extended: see the Trade Marks Rules 2000, SI 2000/136, r 68(1), (3); and para 356 ante.

18 Ie any deficiency notified to him in respect of the Trade Marks Act 1994 s 32(2): see the text to notes 6–9 supra.

19 Trade Marks Rules 2000, SI 2000/136, r 11(a).

20 Ie any deficiency notified to him in respect of the Trade Marks Act 1994 s 32(3) (see the text to notes 11–12 supra) or the Trade Marks Rules 2000, SI 2000/136, r 5 (see the text and notes 1–13 supra) or r 8(2)(a) (as amended) (see para 371 post).

21 Ie as required by the Trade Marks Act 1994 s 32(4): see the text to note 13 supra.

22 Trade Marks Rules 2000, SI 2000/136, r 11(b) (as amended: see note 16 supra).

364. Series of trade marks. The proprietor[1] of a series of trade marks[2] may apply to the registrar[3] on the appropriate form[4] for their registration as a series in a single registration and there must be included in such application a representation of each mark claimed to be in the series; and, if the registrar is satisfied that the marks constitute a series, he must accept the application[5].

At any time before preparations of publication of the application have been completed by the Patent Office[6], the applicant may request on the appropriate form[7] the division of the application into separate applications in respect of one or more marks in that series and the registrar must divide the application accordingly provided that at least one application remaining after such a division would comprise either a trade mark or a series of trade marks[8]. Such a division of an application into one or more applications is subject to the payment of a divisional fee and such application and class fees as are appropriate[9].

At any time the applicant for registration of a series of trade marks or the proprietor of a registered series of trade marks may request the deletion of a mark in that series, and the registrar must delete the mark accordingly[10]. Where the registrar deletes a trade mark from an application, the application in so far as it relates to the deleted mark is to be treated as withdrawn[11].

1 For the meaning of 'proprietor' see para 22 note 8 ante.

2 For these purposes, a 'series of trade marks' means a number of trade marks which resemble each other as to their material particulars and differ only as to matters of a non-distinctive character not substantially

affecting the identity of the trade mark: Trade Marks Act 1994 s 41(2). For trade marks to qualify as a series the differences between them must be sufficiently insignificant that the average consumer would be unlikely to notice the differences: *Sony Ericsson Mobile Communications AB's Trade Mark Application* (O/138/06), Appointed Person. For the meaning of 'trade mark' see para 57 ante.

3 As to the registrar see para 17 ante.

4 Ie Form TM3: Trade Marks Rules 2000, SI 2000/136, r 21(1). As to the use of forms see para 353 ante.

5 Trade Marks Act 1994 s 41(1)(c), (3); Trade Marks Rules 2000, SI 2000/136, r 21(1).

6 As to the Patent Office, its organisation and seal see para 14 note 2 ante; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) paras 666–667. Note that the Patent Office is now operating under the name 'the UK Intellectual Property Office' ('UK-IPO'): see the UK Intellectual Property Office Name Change Fact Sheet.

7 Ie Form TM12: Trade Marks Rules 2000, SI 2000/136, r 21(2) (amended by SI 2004/947).

8 Trade Marks Rules 2000, SI 2000/136, r 21(2) (as amended: see note 7 supra).

9 Ibid r 21(4). As to fees see para 16 ante.

10 Ibid r 21(3).

11 Ibid r 21(3A) (added by SI 2004/947).

365. Protection for international registrations. The procedure by which an international registration[1] becomes protected in the United Kingdom is initiated in a different way from an application for registration of a United Kingdom trade mark, but thereafter follows a similar procedure and it is subject to the same substantive requirements[2] for achieving protection in the United Kingdom as for the registrability of a registered mark[3]. A person desiring to secure protection for a trade mark in the United Kingdom via this route must make a request to extend the protection of his international registration to the United Kingdom; such a request may be included in his original international application, or extension to the United Kingdom may be requested subsequently to the initial international registration[4]. The International Bureau[5] notifies the British registrar after receiving a request for the extension of protection of an international registration to the United Kingdom[6].

The incoming international registration is not subject to the requirements of the Trade Marks Act 1994 or rules requiring the filing of the application in the Patent Office or pertaining to its form[7]. There are, however, corresponding and broadly similar requirements relating to the application for international registration[8]. Apart from these exceptions, an international registration designating the United Kingdom[9] is entitled to become protected where, if the particulars of the international registration were comprised in an application for registration of a trade mark under the Act, such an application would satisfy the requirements for registration including any imposed by rules[10].

1 Ie an international trade mark registration on the international register operated under the Madrid Protocol: see paras 11–13 ante. As to the Madrid Protocol see para 8 ante.

2 Ie including any requirements imposed by the Trade Marks Rules 2000, SI 2000/136 (as amended): Trade Marks (International Registration) Order 1996, SI 1996/714, arts 2, 3(1).

3 See para 55 ante.

4 Applications for international registration are filed through the home trade mark office of the applicant. For an outline of the procedure followed under the Madrid Protocol see para 13 ante.

5 As to the International Bureau see para 8 note 11 ante.

6 Madrid Protocol art 3 (ter).

7 Ie the Trade Marks Act 1994 ss 32–34; and the Trade Marks Rules 2000, SI 2000/136, rr 5–8A (as amended), 10, 11 (see paras 363 ante, and 370–371, 378 post). These are excluded from applying to international registrations by the Trade Marks (International Registration) Order 1996, SI 1996/714, art 3(2) (amended by SI 2004/948). As to the Patent Office, its organisation and seal see para 14 note 2 ante; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) paras 666–667. Note that the Patent Office is now operating under the name 'the UK Intellectual Property Office' ('UK-IPO'): see the UK Intellectual Property Office Name Change Fact Sheet.

8 See the Madrid Protocol art 3(1)–(3); and the Madrid Common Regulations r 9. A detailed description of these provisions which form part of the international regime established under the Madrid Agreement and Protocol is outside the scope of this work. As to the Madrid Protocol see para 8 ante; and as to the Common Regulations see para 11 note 5 ante.

9 For the meaning of 'international registration designating the United Kingdom' see para 13 ante.
10 Trade Marks (International Registration) Order 1996, SI 1996/714, art 3(1).

366. Date of filing. The date of filing of an application for registration[1] of a trade mark[2] is the date on which documents containing everything required to be contained in the application[3] are furnished to the registrar[4] by the applicant[5]. If, however, documents are furnished on different days, the date of filing is the last of those days[6].

For an international registration[7], the equivalent of the date of filing of a domestic trade mark application is the date of the international registration or, if later, the date when a request for extension of protection to the United Kingdom is recorded in the international register[8]. The date of the international registration is normally the date when the international application was received in the office of origin[9].

1 For the meaning of references to 'registration' see para 19 note 2 ante.
2 For the meaning of 'trade mark' see para 57 ante.
3 Ie required by the Trade Marks Act 1994 s 32(2): see para 363 ante.
4 As to the registrar see para 17 ante.
5 Trade Marks Act 1994 s 33(1). References in the Trade Marks Act 1994 to the date of application for registration are to the date of filing of the application: s 33(2). The date of filing is important because: (1) it may be critical in the event of conflicting applications for the same or similar marks (see para 70 ante); and (2) once registration is granted, many of the rights conferred by the mark date back to the date of application (see paras 21, 85 ante).
6 Ibid s 33(1). Thus if the application does not contain an adequate representation of the mark sought to be registered, e g because it does not identify a colour unambiguously, it will only be accorded a date of filing when the uncertainty has been resolved (*Ty Nant Spring Water Ltd's Trade Mark Application* [2000] RPC 55, [1999] ETMR 981, Appointed Person; *Robert McBride Ltd's Trade Mark Application* [2003] RPC 343, Appointed Person) if it is permissible at all (see *Nestlé SA's Trade Mark Application* [2004] EWCA Civ 1008, [2005] RPC 77, sub nom *Société des Produits Nestlé SA v Mars UK Ltd* [2005] IP & T 551).
7 As to international registrations see paras 8, 11–13 ante.
8 See the Trade Marks (International Registration) Order 1996, SI 1996/714, art 12(2).
9 Madrid Protocol art 3(4). As to the Madrid Protocol see para 8 ante.

367. Division of application. At any time before registration[1] an applicant may send[2] to the registrar[3] a request[4] for a division of his application for registration (the 'original application') into two or more separate applications ('divisional applications'), indicating for each division the specification[5] of goods or services; each divisional application will be treated as a separate application for registration with the same filing date[6] as the original application[7].

Where the request to divide an application is sent after publication of the application[8], any objections in respect of, or opposition to, the original application are to be taken to apply to each divisional application and must be proceeded with accordingly[9].

Upon division of an original application in respect of which notice has been given to the registrar of particulars relating to the grant of a licence, or a security interest or any right in or under it, the notice and the particulars are deemed to apply in relation to each of the applications into which the original application has been divided[10].

1 In context this must mean at any time before registration or refusal of the application: *Sensornet Ltd's Trade Mark Application* [2007] RPC 185, Appointed Person. The registrar has power to permit the division of an application during the pendency of an appeal against a decision to refuse the application since the registrar's practice is to treat appeals as being of suspensory effect: *Sensornet Ltd's Trade Mark Application* supra; *Aggregate Industries Ltd's Trade Mark Application* (O/178/06), Appointed Person. For the meaning of 'registration' see para 19 note 2 ante.
2 For the meaning of 'send' see para 25 note 14 ante.
3 As to the registrar see para 17 ante.
4 The request must be sent on Form TM12. As to the use of forms see para 353 ante.
5 For the meaning of 'specification' see para 369 note 1 post.
6 For the meaning of 'date of filing' see para 366 ante.

7 Trade Marks Act 1994 s 41(1)(a); Trade Marks Rules 2000, SI 2000/136, r 19(1). These provisions do not permit an application for a series of marks to be divided into an application for each of those marks (or combinations thereof); such a division is provided for by r 21 (see para 364 post): *Dualit Ltd's (Toaster Shapes) Trade Mark Applications* [1999] RPC 890, [1999] All ER (D) 729.
8 As to the publication of the application see para 383 post.
9 Trade Marks Rules 2000, SI 2000/136, r 19(2).
10 Ibid r 19(3).

368. Merger of separate applications. An applicant who has made separate applications for registration of a mark may, at any time before preparations for the publication of any of the applications have been completed by the Patent Office[1], request[2] the registrar[3] to merge the separate applications into a single application[4]. If the registrar is satisfied that all the applications which are the subject of the request for merger:

(1) are in respect of the same trade mark;
(2) bear the same date of application; and
(3) are, at the time of the request, in the name of the same person,

he must merge them into a single application[5].

1 As to the Patent Office, its organisation and seal see para 14 note 2 ante; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) paras 666–667. Note that the Patent Office is now operating under the name 'the UK Intellectual Property Office' ('UK-IPO'): see the UK Intellectual Property Office Name Change Fact Sheet.
2 The request must be made on Form TM17. As to the use of forms see para 353 ante.
3 As to the registrar see para 17 ante.
4 Trade Marks Act 1994 s 41(1)(b); Trade Marks Rules 2000, SI 2000/136, rr 2(1), 20(1).
5 Ibid r 20(2).

(iv) Classification of Goods and Services

369. Classification of goods and services. Every application must specify[1] the class of goods or services[2] to which it relates[3]. Goods and services must be classified for the purposes of the registration of trade marks[4] according to the Nice Classification[5]. When a trade mark is registered it must be classified according to the version of the Nice Classification that had effect on the date of application for registration[6]. Any question arising as to the class within which any goods or services fall must be determined by the registrar, whose decision is final[7].

It is important which goods or services a mark is registered for[8], and care must accordingly be taken to ensure that the application covers all the goods or services with which an applicant may be concerned.

There is a guide listing most goods alphabetically with an indication of the appropriate class for those goods. That guide is an indication of practice and not a decision on questions of classification[9].

These provisions do not apply to international registrations[10] but there are corresponding international provisions relating to classification[11].

1 For these purposes, 'specification' means the statement of goods or services in respect of which a trade mark is registered or proposed to be registered: Trade Marks Rules 2000, SI 2000/136, r 2(1).
2 Ie under the 'Nice Classification': see note 5 infra.
3 Trade Marks Rules 2000, SI 2000/136, r 8(2)(a) (substituted by SI 2004/947; and amended by SI 2006/3039). An application may relate to more than one class: see para 371 post.
4 For the meaning of 'trade mark' see para 57 ante.
5 Trade Marks Act 1994 s 34(1): Trade Marks Rules 2000, SI 2000/136, r 7(1) (r 7 substituted by SI 2006/3039). The 'Nice Classification' means the system of classification under the Nice Agreement: Trade Marks Rules 2000, SI 2000/136, r 7(3)(b) (as so substituted). The 'Nice Agreement' means the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of

the Registration of Marks of 15 June 1957, which was last amended on 28 September 1979: Trade Marks Rules 2000, SI 2000/136, r 7(3)(a) (as so substituted). See further paras 10 ante, 370 post.

The purpose of classification is primarily administrative but registration by reference to a particular class of goods or services may affect substantive rights: see eg *Re AA Byrd & Co Ltd's Application* (1953) 70 RPC 212; *CAL-U-TEST Trade Mark* [1967] FSR 39; *GE Trade Mark* [1969] RPC 418 at 458–459 (on appeal [1970] RPC 339, CA; revsd [1972] 2 All ER 507, [1972] 1 WLR 729, [1973] RPC 297, HL); *TORNADO Trade Mark* [1979] RPC 155, Trade Marks Registry; *British Sugar plc v James Robertson & Sons Ltd* [1996] RPC 281; *Avnet Inc v Isoact Ltd* [1998] FSR 16; *Altecnic Ltd's Trade Mark Application* [2001] EWCA Civ 1928, [2002] RPC 639; but cf *Carless, Capel & Leonard v F Pilmore-Bedford & Sons* (1928) 45 RPC 205; *Ofrex Ltd v Rapesco Ltd* [1963] RPC 169.

The registrar may exercise the powers conferred by rules under the Trade Marks Act 1994 s 65 (adaptation of entries to new classification: see para 392 post) to secure that any existing registered marks which do not conform to the system of classification prescribed under s 34 are brought into conformity with that system: s 105, Sch 3 para 12. As to the registrar see para 17 ante.

6 Trade Marks Rules 2000, SI 2000/136, r 7(2).

7 Trade Marks Act 1994 s 34(2). This provision does not empower the registrar to permit an applicant to transfer an application from one class to another in circumstances falling outside s 39(2) (see para 375 post): *Altecnic Ltd's Trade Mark Application* [2001] EWCA Civ 1928, [2002] RPC 639.

8 The position is, however, not as crucial under the Trade Marks Act 1994 as it was under the Trade Marks Act 1938 s 4(1) (repealed) (where it was essential in the case of infringement that the confusingly similar mark should be used on goods or services falling within the specification of goods of the registered mark; similarity of goods or services to those registered was not enough).

9 See *GE Trade Mark* [1969] RPC 418 at 458–459; on appeal [1970] RPC 339, CA; revsd [1972] 2 All ER 507, [1972] 1 WLR 729, [1973] RPC 297, HL.

10 Trade Marks (International Registration) Order 1996, SI 1996/714, art 3(2). For the meaning of 'international registration' see para 12 note 2 ante.

11 Madrid Protocol art 3(2). The indication of classes given by the applicant is subject to control by the International Bureau, which exercises that control in association with the office of origin of the international application. As to the International Bureau see paras 8 note 11, 12 note 5 ante. As to the Madrid Protocol see para 8 ante.

370. The Nice Classification. When a trade mark is registered it must be classified according to the version of the Nice Classification[1] that had effect on the date of application for registration[2]. The current edition[3] of the Nice Classification classifies goods[4] and services[5] as follows[6]:

(1) Class 1: chemicals used in industry, science and photography, as well as in agriculture, horticulture and forestry; unprocessed artificial resins, unprocessed plastics; manures; fire extinguishing compositions; tempering and soldering preparations; chemical substances for preserving foodstuffs; tanning substances; adhesives used in industry.

(2) Class 2: paints, varnishes, lacquers; preservatives against rust and against deterioration of wood; colorants; mordants; raw natural resins; metals in foil and powder form for painters, decorators, printers and artists.

(3) Class 3: bleaching preparations and other substances for laundry use; cleaning, polishing, scouring and abrasive preparations; soaps; perfumery, essential oils, cosmetics, hair lotions; dentifrices.

(4) Class 4: industrial oils and greases; lubricants; dust absorbing, wetting and binding compositions; fuels (including motor spirit) and illuminants; candles and wicks for lighting.

(5) Class 5: pharmaceutical and veterinary preparations; sanitary preparations for medical purposes; dietetic substances adapted for medical use, food for babies; plasters, materials for dressings; material for stopping teeth, dental wax; disinfectants; preparations for destroying vermin; fungicides, herbicides.

(6) Class 6: common metals and their alloys; metal building materials; transportable buildings of metal; materials of metal for railway tracks; non-electric cables and wires of common metal; ironmongery, small items of metal hardware; pipes and tubes of metal; safes; goods of common metal not included in other classes; ores.

(7) Class 7: machines and machine tools; motors and engines (except for land vehicles); machine coupling and transmission components (except for land vehicles); agricultural implements other than hand-operated; incubators for eggs.

(8) Class 8: hand tools and implements (hand-operated); cutlery; side arms; razors.

(9) Class 9: scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; automatic vending machines and mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment and computers; fire-extinguishing apparatus.

(10) Class 10: surgical, medical, dental and veterinary apparatus and instruments, artificial limbs, eyes and teeth; orthopedic articles; suture materials.

(11) Class 11: apparatus for lighting, heating, steam generating, cooking, refrigerating, drying, ventilating, water supply and sanitary purposes.

(12) Class 12: vehicles; apparatus for locomotion by land, air or water.

(13) Class 13: firearms; ammunition and projectiles; explosives; fireworks.

(14) Class 14: precious metals and their alloys and goods in precious metals or coated therewith, not included in other classes; jewellery, precious stones; horological and chronometric instruments.

(15) Class 15: musical instruments.

(16) Class 16: paper, cardboard and goods made from these materials, not included in other classes; printed matter; bookbinding material; photographs; stationery; adhesives for stationery or household purposes; artists' materials; paint brushes; typewriters and office requisites (except furniture); instructional and teaching material (except apparatus); plastic materials for packaging (not included in other classes); printers' type; printing blocks.

(17) Class 17: rubber, gutta-percha, gum, asbestos, mica and goods made from these materials and not included in other classes; plastics in extruded form for use in manufacture; packing, stopping and insulating materials; flexible pipes, not of metal.

(18) Class 18: leather and imitations of leather, and goods made of these materials and not included in other classes; animal skins, hides; trunks and travelling bags; umbrellas, parasols and walking sticks; whips, harness and saddlery.

(19) Class 19: building materials (non-metallic); non-metallic rigid pipes for building; asphalt, pitch and bitumen; non-metallic transportable buildings; monuments, not of metal.

(20) Class 20: furniture, mirrors, picture frames; goods (not included in other classes) of wood, cork, reed, cane, wicker, horn, bone, ivory, whalebone, shell, amber, mother-of-pearl, meerschaum and substitutes for all these materials, or of plastics.

(21) Class 21: household or kitchen utensils and containers; combs and sponges; brushes (except paint brushes); brush-making materials; articles for cleaning purposes; steelwool; unworked or semi-worked glass (except glass used in building); glassware, porcelain and earthenware not included in other classes.

(22) Class 22: ropes, string, nets, tents, awnings, tarpaulins, sails, sacks and bags (not included in other classes); padding and stuffing materials (except of rubber or plastics); raw fibrous textile materials.

(23) Class 23: yarns and threads, for textile use.

(24) Class 24: textiles and textile goods, not included in other classes; bed and table covers.
(25) Class 25: clothing, footwear, headgear.
(26) Class 26: lace and embroidery, ribbons and braid; buttons, hooks and eyes, pins and needles; artificial flowers.
(27) Class 27: carpets, rugs, mats and matting, linoleum and other materials for covering existing floors; wall hangings (non-textile).
(28) Class 28: games and playthings; gymnastic and sporting articles not included in other classes; decorations for Christmas trees.
(29) Class 29: meat, fish, poultry and game; meat extracts; preserved, frozen, dried and cooked fruits and vegetables; jellies, jams, compotes; eggs, milk and milk products; edible oils and fats.
(30) Class 30: coffee, tea, cocoa, sugar, rice, tapioca, sago, artificial coffee; flour and preparations made from cereals, bread, pastry and confectionery; ices; honey, treacle; yeast, baking-powder; salt, mustard; vinegar, sauces (condiments); spices; ice.
(31) Class 31: agricultural, horticultural and forestry products and grains not included in other classes; live animals; fresh fruits and vegetables; seeds, natural plants and flowers; foodstuffs for animals, malt.
(32) Class 32: beers; mineral and aerated waters and other non-alcoholic drinks; fruit drinks and fruit juices; syrups and other preparations for making beverages.
(33) Class 33: alcoholic beverages (except beers).
(34) Class 34: tobacco; smokers' articles; matches.
(35) Class 35: advertising[7]; business management; business administration; office functions[8].
(36) Class 36: insurance; financial affairs; monetary affairs; real estate affairs.
(37) Class 37: building construction; repair; installation services.
(38) Class 38: telecommunications.
(39) Class 39: transport; packaging and storage of goods; travel arrangement.
(40) Class 40: treatment of materials.
(41) Class 41: education; providing of training; entertainment; sporting and cultural activities.
(42) Class 42: scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software.
(43) Class 43: services for providing food and drink; temporary accommodation.
(44) Class 44: medical services; veterinary services; hygienic and beauty care for human beings or animals; agriculture, horticulture and forestry services.
(45) Class 45: legal services; security services for the protection of property and individuals; personal and social services rendered by others to meet the needs of individuals.

1 For the meaning of the 'Nice Classification' see para 369 note 5 ante.
2 Trade Marks Rules 2000, SI 2000/136, r 7(2) (substituted by SI 2006/3039).
3 Ie the ninth edition, in force from 1 January 2007. Copies are available from the World Intellectual Property Organisation and from its website, accessible at the date at which this title states the law at www.wipo.int. An application may relate to more than one class: see para 371 post.
4 Classes 1–34 (see heads (1)–(34) in the text) relate to goods.
5 Classes 35–45 (see heads (35)–(45) in the text) relate to services.
6 Formerly the Trade Marks Rules 2000, SI 2000/136, Sch 2 (revoked by SI 2001/3832) set out the classification of goods for registrations dated before 27 July 1938 (when the Trade Marks Act 1938 came into force) except where a specification had been converted to the classification set out in Sch 3 (revoked by SI 2006/3039) whether under the old law (see para 15 note 2 ante) or under the provisions relating to reclassification. By the end of 2001 all remaining registrations dated before 27 July 1938 had been

reclassified. The Trade Marks Rules 2000, SI 2000/136, Schs 3, 4 (revoked by SI 2006/3039) set out the classification of goods for registrations dated before 1 January 2002, and 1 January 2007 respectively, based on the Nice Classifications that were then current. The Nice Classifications are no longer set out in detail in United Kingdom statutory instruments.

7 The provision of support services to customers to enable them to carry their own advertisements on their own websites is apparently not an advertising or promotional service falling within Class 35: *Avnet Inc v Isoact Ltd* [1998] FSR 16.

8 Services provided in connection with retail trade may be the subject of a trade mark registration provided that details are provided with regard to the goods or type of goods to which those services relate: Case C-418/02 *Praktiker Bau- und Heimwerkermarkte AG* [2006] Ch 144, [2005] ECR I-5873, ECJ. The registrar's practice is to classify such services in Class 35: Practice Amendment Notice (PAN 6/05).

371. Application may relate to more than one class. An application may be made for registration in more than one class[1] of goods or services[2]. Every application must specify the class[3] to which it relates and the goods or services which are appropriate to that class[4]. The goods or services must be described in such as way as to indicate clearly the nature of those goods or services and to allow them to be classified in the classes[5]. If the application relates to more than one class, the specification[6] contained in it must set out the classes in consecutive numerical order and the specification of the goods or services must be grouped accordingly[7]. If the specification contained in the application lists items by reference to a class in which they do not fall, the applicant may request, by filing the appropriate form[8], that his application be amended to include the appropriate class for those items; and, upon the payment of such class fee as may be appropriate, the registrar must amend his application accordingly[9]. Where the application does not satisfy the requirements as to specification of the classes and goods or services[10], the registrar must send[11] notice of this to the applicant[12]. The notice must specify a period, of not less than two months, within which the applicant must satisfy those requirements[13]. Where the applicant fails to satisfy those requirements before the expiry of that period, his application must be treated as abandoned[14].

1 Ie more than one class in the Nice Classification: see para 370 ante.

2 Trade Marks Rules 2000, SI 2000/136, r 8(1) (amended by SI 2006/3039). As to the registrar's duty to notify the applicant of any deficiency under the Trade Marks Rules 2000, SI 2000/136, r 8 (as amended) see para 363 ante. As to the registrar see para 17 ante.

3 Ie the class in the Nice Classification: see paras 369–370 ante.

4 Trade Marks Rules 2000, SI 2000/136, r 8(2) (r 8(2), (3) substituted by SI 2004/947; and amended by SI 2006/3039). The applicant should exercise care in specifying the class of the goods or services, since it may not be possible to change this by a subsequent amendment: see *Altecnic Ltd's Trade Mark Application* [2001] EWCA Civ 1928, [2002] RPC 639; and para 375 post.

5 Trade Marks Rules 2000, SI 2000/136, r 8(2) (as substituted and amended: see note 4 supra). The classes referred to are those in the Nice Classification: see paras 369–370 ante.

6 For the meaning of 'specification' see para 369 note 1 ante.

7 Trade Marks Rules 2000, SI 2000/136, r 8(3) (as substituted and amended: see note 4 supra).

8 The appropriate form is Form TM3A. As to the use of forms see para 353 ante. For the meaning of references to 'filing' see para 25 note 2 ante. As to the filing of documents by electronic means see para 354 ante.

9 Trade Marks Rules 2000, SI 2000/136, r 8(4) (amended by SI 2006/3039). It would appear that such an amendment is permissible under the Trade Marks Act s 39(2) (see para 375 post) on the basis that it is an obvious mistake: *Altecnic Ltd's Trade Mark Application* [2001] EWCA Civ 1928, [2002] RPC 639; *Aunty G Ltd's Trade Mark Application* (O/083/04), Appointed Person. As to fees see para 16 ante.

10 Ie the requirements in the Trade Marks Rules 2000, SI 2000/136, r 8(2)(b), (3) (as substituted and amended) (see the text to notes 4, 7 supra).

11 For the meaning of 'send' see para 25 note 14 ante.

12 Trade Marks Rules 2000, SI 2000/136, r 8A(1) (r 8A added by SI 2004/947).

13 Trade Marks Rules 2000, SI 2000/136, r 8A(2) (as added: see note 12 supra).

14 Ibid r 8A(3) (as added: see note 12 supra).

(v) Examination of Application

372. Applications for registration of United Kingdom trade marks. The registrar[1] must examine whether an application for registration[2] of a trade mark[3] satisfies the requirements of the Trade Marks Act 1994, including any requirements imposed by rules[4]. For that purpose he must carry out a search, to such extent as he considers necessary, of earlier trade marks[5].

In practice, following receipt of the application, if the registrar considers that objections exist, he writes to the applicant indicating what these are. Sometimes such objections can be settled by correspondence. The applicant may ask for a hearing[6]. The nature of the objection may be such[7] that it can be overcome by evidence[8].

1 As to the registrar see para 17 ante.

2 As to the requirements for registration see para 55 et seq ante; and as to the procedure on the application see paras 352 et seq ante, 374 et seq post.

3 For the meaning of 'trade mark' see para 57 ante.

4 Trade Marks Act 1994 s 37(1). As to the formal requirements to be satisfied by the applicant see para 363 ante; as to the substantive requirements for registrability see para 55 et seq ante; and as to the making of rules generally see para 15 ante.

The registrar is not subject to any liability by reason of, or in connection with, any examination required or authorised by the Trade Marks Act 1994: see s 70(2); and para 18 ante.

5 Ibid s 37(2). For the meaning of 'earlier trade mark' see para 70 ante. The primary purpose of the search is to identify potentially conflicting earlier rights: see para 70 et seq ante.

As from 1 October 2007 the Trade Marks Act 1994 s 37(2) is to cease to have effect, and instead the registrar may, in connection with an examination under s 37(1) (see the text to notes 1–4 supra), carry out a search of earlier trade marks for the purpose of notifying the applicant and other persons about the existence of earlier trade marks that might be relevant to the proposed registration: see s 8(2)(a), (3); the Trade Marks (Relative Grounds) Order 2007, SI 2007/1976, arts 3, 4 (not yet in force); and para 82 ante.

6 See the Trade Marks Rules 2000, SI 2000/136, r 54; and para 358 ante.

7 Eg based on the requirement for distinctiveness: see para 60 ante.

8 As to the registrar's power to direct the filing of documents, information and evidence see para 358 ante; and as to evidence see para 359 ante.

373. Applications for protection of international registrations. Upon receiving from the International Bureau[1] notification of an international registration designating the United Kingdom[2], the registrar[3] must examine whether it satisfies the requirements of the Trade Marks Act 1994, including any requirements imposed by rules[4] as they apply to international registrations[5]. For that purpose, he must carry out a search, to such extent as he considers necessary, of earlier trade marks[6]. If it appears to the registrar that these requirements are not met, or are met only in relation to some of the goods or services in respect of which protection in the United Kingdom has been requested, he must give notice of provisional refusal[7] to the International Bureau[8]. Where the International Bureau notifies the registrar[9] that a particular term used to indicate any of the goods and services included in the international registration is too vague for the purpose of classification or is incomprehensible or is linguistically incorrect then the registrar may give notice of provisional refusal to the International Bureau in respect of that term[10]. In either case, the notice of provisional refusal must specify a period within which the holder of the international registration may then make representations to the registrar[11]. In such cases notices of provisional refusal must not be given after the expiry of the period of 18 months from the date on which the notification of the request for protection was to sent to the United Kingdom[12].

1 As to the International Bureau see paras 8 note 11, 12 note 5 ante.

2 For the meaning of 'international registration designating the United Kingdom' see para 13 ante.

3 As to the registrar see para 17 ante.

4 Trade Marks (International Registration) Order 1996, SI 1996/714, art 9(1), applying art 3.

5 See ibid art 3, which applies the requirements of the Trade Marks Act 1994 and rules, with certain exceptions, to international registrations: see para 365 ante.
6 Trade Marks (International Registration) Order 1996, SI 1996/714, art 9(2). For the meaning of 'earlier trade mark' see para 70 ante.
7 Notices of provisional refusal must set out the matters required by the Madrid Protocol art 5 and the Common Regulations r 17: Trade Marks (International Registration) Order 1996, SI 1996/714, art 11(3) (art 11 substituted by SI 2002/692). As to the Madrid Protocol see para 8 ante; and as to the Common Regulations see para 11 note 5 ante.
8 Trade Marks (International Registration) Order 1996, SI 1996/714, art 9(3) (amended by SI 2002/692).
9 Ie under the Common Regulations r 13(2)(b).
10 Trade Marks (International Registration) Order 1996, SI 1996/714, art 9A(1) (art 9A added by SI 2004/948).
11 Trade Marks (International Registration) Order 1996, SI 1996/714, art 9(4) (amended by SI 2002/692); Trade Marks (International Registration) Order 1996, SI 1996/714, art 9A(2) (as added: see note 10 ante). For these purposes, the holder must file an address for service: arts 9(5), 9A(3) (art 9A(3) as so added; and amended by SI 2006/763); and see para 357 ante.
12 Trade Marks (International Registration) Order 1996, SI 1996/714, art 11(1) (as substituted: see note 7 supra). Notice of provisional refusal may be given after this period where it is based on an opposition: art 11(1) (as so substituted). As to opposition proceedings see para 384 post.

374. Withdrawal or restriction of application. The applicant may at any time withdraw his application for registration of a trade mark or restrict the goods or services covered by the application[1]. If the application has been published[2], the withdrawal or restriction must also be published[3].

1 Trade Marks Act 1994 s 39(1). For the meaning of 'trade mark' see para 57 ante. As to whether the applicant may offer a restriction conditionally or must do so unconditionally see *Sensornet Ltd's Trade Mark Application* [2007] RPC 185, Appointed Person. Cf the following decisions made under EC Council Regulation 40/94 (OJ L1, 14.1.94, p 1) on the Community trade mark, reg 44(1) (see para 280 ante): Case T-219/00 *Ellos v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2002] ECR II-753, [2002] IP & T 384, CFI; Case T-396/02 *August Storck KG v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2004] ECR II-3821, [2004] All ER (D) 157 (Nov), CFI; Case C-412/05 *Alcon Inc v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2007] All ER (D) 238 (Apr), ECJ.
2 For the meaning of 'publish' see para 17 note 10 ante.
3 Trade Marks Act 1994 s 39(1). See also the Trade Marks Rules 2000, SI 2000/136, r 18(1); and para 375 post.

375. Correction and amendment of application. Apart from amendments restricting the scope of goods or services covered by an application for registration of a trade mark[1], in other respects an application may be amended, at the request of the applicant, only by correcting:

(1) the name or address of the applicant;
(2) errors of wording or of copying; or
(3) obvious mistakes,

and then only where the correction does not substantially affect the identity of the trade mark[2] or extend the goods or services covered by the application[3]. A request for an amendment of an application to correct an error or to change the name or address of the applicant or in respect of any amendment requested after publication of the application must be made on the appropriate form[4].

Where a request is made for amendment of an application[5] which has been published and the amendment affects the representation of the trade mark or the goods or services covered by the application, the amendment or a statement of the effect of the amendment must also be published[6].

Any person claiming to be affected by the amendment may, within one month of the date on which the amendment or a statement of the effect of the amendment was published[7], give notice to the registrar of opposition to the amendment[8]. Such notice

must include a statement of the grounds of objection which must, in particular, indicate why the amendment would not be permissible[9].

1 Ie pursuant to the Trade Marks Act 1994 s 39(1): see para 374 ante.
2 A correction does not substantially affect the identity of the trade mark if the differences are sufficiently insignificant that they are likely to go unnoticed by the average consumer: see *Sony Ericsson Mobile Communications AB's Trade Mark Applications* (O/138/06), Appointed Person; but cf Case T-128/99 *Signal Communications Ltd v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* [2001] ECR II-3273, CFI.
3 Trade Marks Act 1994 s 39(2). This restriction is designed to prevent an applicant stealing a march on a rival in a case of conflicting rights where the identity of a mark applied for or the scope of goods and services covered by an application filed on a particular date may be crucial. It is always open to an applicant to file an additional new application with the changed mark or the extra goods or services which he wishes to cover, but the new application will have a later date. Thus an amendment to the application to change the class of the goods specified is not permissible under s 39(2) unless the class originally stated was an obvious mistake (*Altecnic Ltd's Trade Mark Application* [2001] EWCA Civ 1928, [2002] RPC 639); nor are amendments to limit the colour and specify the size of a shape mark permissible under the Trade Marks Act 1994 s 39(2) (*Nestlé SA's Trade Mark Application* [2004] EWCA Civ 1008, [2005] RPC 77, sub nom *Société des Produits Nestlé SA v Mars UK Ltd* [2005] IP & T 551).
4 Trade Marks Rules 2000, SI 2000/136, r 17. The appropriate form is Form TM21: r 17. As to the use of forms see para 353 ante.
5 Ie pursuant to the Trade Marks Act 1994 s 39: see the text and notes 1–3 supra; and para 374 ante.
6 Ibid s 39(3); Trade Marks Rules 2000, SI 2000/136, r 18(1). For the meaning of 'publish' see para 17 note 10 ante.
7 Ie under ibid r 18(1): see the text and notes 5–6 supra.
8 Ibid r 18(2) (substituted by SI 2004/947). The notice must be given on Form TM7: Trade Marks Rules 2000, SI 2000/136, r 18(2) (as so substituted).
9 Ibid r 18(2) (as substituted: see note 8 supra). The registrar must send a copy of the Form TM7 to the applicant, and the provisions of rr 13A–14 (rr 13A–13C as added; r 14 as amended) (see paras 384–385 post) apply to proceedings relating to the opposition to the amendment of the application as they apply to proceedings relating to opposition to the registration of a trade mark with certain modifications: r 18(3) (substituted by SI 2004/947).

376. Disclaimer or limitation of application. An applicant for registration[1] of a trade mark[2] may[3]:

(1) disclaim any right to the exclusive use[4] of any specified element of the trade mark[5]; or
(2) agree that the rights conferred by the registration are to be subject to a specified territorial or other limitation[6].

Disclaimers and limitations can similarly be made in relation to an international trade mark for which protection is sought in the United Kingdom[7].

1 For the meaning of 'registration' see para 19 note 2 ante.
2 For the meaning of 'trade mark' see para 57 ante.
3 Trade Marks Act 1994 s 13(1). The proprietor of a registered trade mark may also make disclaimers and limitations: see para 394 post. As to the making of such disclaimers and limitations see para 83 ante. As to the effect of such disclaimers and limitations on the proprietor's rights see para 98 ante.
4 For the meaning of 'use' see para 60 note 8 ante.
5 Trade Marks Act 1994 s 13(1)(a).
6 Ibid s 13(1)(b).
7 See the Trade Marks (International Registration) Order 1996, SI 1996/714, art 4(4), (5) (art 4(4) amended, and art 4(5) substituted, by SI 2002/692).

377. Correction of international registrations. Where the International Bureau[1] notifies[2] the registrar[3] that it has corrected an international registration designating the United Kingdom[4], and the correction either substantially affects the identity of the trade mark[5] or reduces or extends the goods or services comprised in the international registration, the registrar may treat such a notification of correction as a new notification of an international registration designating the United Kingdom[6].

1 As to the International Bureau see paras 8 note 11, 12 note 5 ante.
2 Ie pursuant to the Common Regulations r 28. As to the Common Regulations see para 11 note 5 ante.
3 As to the registrar see para 17 ante.
4 For the meaning of 'international registration designating the United Kingdom' see para 13 ante.
5 As to corrections which substantially affect the identity of a trade mark see para 375 note 2 ante.
6 Trade Marks (International Registration) Order 1996, SI 1996/714, art 12A(1), (2) (art 12A added by SI 2002/692). Where he does so the provisions of the Trade Marks (International Registration) Order 1996, SI 1996/714, art 12A(3) (as so added) or art 12A(4) (as so added) apply as appropriate.

(vi) Priority of Convention and Overseas Applications

378. Claim to priority of Convention application. A person who has duly filed an application for protection of a trade mark[1] in a Convention country[2] (a 'Convention application'), or his successor in title, has a right to priority[3], for the purposes of registering the same trade mark under the Trade Marks Act 1994 for some or all of the same goods or services, for a period of six months from the date of filing[4] of the first such application[5]. If the application for registration under the Act is made within that six month period[6]:

(1) the relevant date for the purpose of establishing which rights take precedence is the date of filing of the first Convention application[7]; and
(2) the registrability of the trade mark is not affected by any use[8] of the mark in the United Kingdom[9] in the period between that date and the date of the application under the Act[10].

Any filing which in a Convention country is equivalent to a regular national filing[11], under its domestic legislation or an international agreement, is treated as giving rise to the right of priority[12].

A subsequent application[13] concerning the same subject as the first Convention application, filed in the same Convention country, is considered the first Convention application (of which the filing date is the starting date of the period of priority), if at the time of the subsequent application (a) the previous application has been withdrawn, abandoned or refused, without having been laid open to public inspection and without leaving any rights outstanding; and (b) it has not yet served as a basis for claiming a right of priority[14]. The previous application may not thereafter serve as a basis for claiming a right of priority[15].

Where a right to priority is claimed by reason of an application for protection of a trade mark duly filed in a Convention country[16] or in another country or territory[17], particulars of that claim must be included in the application for registration[18]; and where no certificate[19] is filed with the application, such particulars must include the country or countries and the date or dates of filing[20]. Unless it has been filed at the time of the filing of the application for registration, there must be filed, within three months of the application[21], a certificate by the registering or other competent authority of that country certifying, or verifying to the satisfaction of the registrar, the date of the filing of the application, the country or registering or competent authority, the representation of the mark and the goods or services covered by the application[22].

A right to priority arising as a result of a Convention application may be assigned or otherwise transmitted, either with the application or independently[23].

The above provisions apply so as to confer a right of priority in relation to protection of an international registration designating the United Kingdom[24] as they apply in relation to registering a trade mark under the Trade Marks Act 1994[25], but the manner of claiming priority is determined in accordance with the Madrid Protocol and Common Regulations instead of following the procedure under the Trade Marks Act 1994[26].

1 For the meaning of 'trade mark' see para 57 ante.
2 For the meaning of 'Convention country' see para 6 note 2 ante.
3 The effect of a right to priority is that the application enjoys the date of filing in the Convention country rather than the later date of filing in the United Kingdom, for the purposes of resolving conflicts with other applications or with conflicting common law rights based on use: see paras 70, 77 ante.
4 For the meaning of 'date of filing' see para 366 ante.
5 Trade Marks Act 1994 s 35(1). See also note 23 infra. Section 35 applies to an application for registration under the Trade Marks Act 1994 made on or after 31 October 1994 notwithstanding that the Convention was made before that date: Trade Marks Act 1994 s 105, Sch 3 para 13.
6 Ibid s 35(2).
7 Ibid s 35(2)(a).
8 As to the meaning of 'use' see para 60 note 8 ante. As to the burden of proving use of a trade mark see ibid s 100; and para 114 ante.
9 For the meaning of 'United Kingdom' see para 3 note 2 ante.
10 Trade Marks Act 1994 s 35(2)(b). See also note 5 supra.
11 For these purposes, a 'regular national filing' means a filing which is adequate to establish the date on which the application was filed in that country, whatever may be the subsequent fate of the application: ibid s 35(3). The requirement for a 'regular national filing' is satisfied by evidence of a procedurally regular filing in the relevant Convention country: *FSS Trade Mark* [2001] RPC 763, Appointed Person.
12 Trade Marks Act 1994 s 35(3). See also note 5 supra.
13 Ie presumably a subsequent application by the same applicant or a successor in title to him, although ibid s 35(4) does not expressly say so.
14 Ibid s 35(4). See also note 5 supra.
15 Ibid s 35(4).
16 Ie under ibid s 35.
17 Ie in respect of which provision corresponding to that made in ibid s 35 is made under s 36 (see para 379 post).
18 Ie under the Trade Marks Rules 2000, SI 2000/136, r 5: see para 363 ante.
19 Ie no certificate as is referred to in ibid r 6(2): see the text and notes 21–22 infra.
20 Trade Marks Act 1994 s 35(5); Trade Marks Rules 2000, SI 2000/136, r 6(1). See also note 5 supra.
21 See note 18 supra.
22 Trade Marks Act 1994 s 35(5); Trade Marks Rules 2000, SI 2000/136, r 6(2). See also note 5 supra.
23 Trade Marks Act 1994 s 35(6). The reference in s 35(1) (see the text to notes 1–5 supra) to the applicant's successor in title is to be construed accordingly: s 35(6). See also note 5 supra.
24 The effect of a valid claim to priority is that the international registration enjoys in the United Kingdom a date earlier than its date of registration in the event of coming into conflict with other applications or marks. For the date of the international registration, which is normally the date of filing of the international application in the office of origin, see paras 21, 366 ante. For the meaning of 'international registration designating the United Kingdom' see para 13 ante.
25 Trade Marks (International Registration) Order 1996, SI 1996/714, art 8(1).
26 See ibid art 8(2), which excludes the Trade Marks Act 1994 s 35(5) (see the text and notes 16–22 supra) from applying to claims to priority by international registrations. The Trade Marks Rules 2000, SI 2000/136, r 5 (see para 363 ante), which governs claims to priority, is also excluded from applying to international applications by the Trade Marks (International Registration) Order 1996, SI 1996/714, art 3(2). As to the Madrid Protocol see para 8 ante; and as to the Common Regulations see para 11 note 5 ante.

379. Claim to priority from other relevant overseas application; new applications. Her Majesty may by Order in Council make provision for conferring on a person who has duly filed an application for protection of a trade mark[1] in:

(1) any of the Channel Islands or a colony; or
(2) a country or territory in relation to which Her Majesty's government in the United Kingdom has entered into a treaty, convention, arrangement or engagement for the reciprocal protection of trade marks,

a right to priority, for the purpose of registering the same trade mark under the Trade Marks Act 1994 for some or all of the same goods or services, for a specified period from the date of filing[2] of that application[3].

A person who has duly filed[4] an application for the protection of a trade mark in a relevant country[5] has a right to priority, for the purpose of registering the same trade mark under the Trade Marks Act 1994 for some or all of the same goods or services, for

a period of six months from the date of filing of the application in that country[6]. Where the application for registration under the Act is made within that period of six months: (a) the relevant date for the purpose of establishing which rights take precedence is the date of the filing of the application in the relevant country; and (b) the registrability of the trade mark is not affected by any use of the mark in the United Kingdom[7] in the period between that date and the date of the application under the Trade Marks Act 1994[8].

A subsequent application concerning the same subject as the first application, duly filed in the same relevant country, is considered the first application to be filed in that country (of which the filing date is the starting date of the period of priority) if at the time of the subsequent application: (i) the previous application has been withdrawn, abandoned or refused, without having been laid open to public inspection and without leaving any rights outstanding; and (ii) it has not yet served as a basis for claiming right of priority[9].

A previous application may not, however, serve as a basis for claiming a right of priority where a subsequent application is so considered as the first application to be filed[10].

A right to priority so conferred vests in the person filing the application or his successors in title, unless otherwise stated in the application, and may be assigned or otherwise transmitted, either with the application or independently[11].

Where a right to priority is claimed by reason of such an application, particulars of that claim must be included in the application for registration filed under the Trade Marks Act 1994; and unless a certificate[12] is filed with the application, such particulars must include the relevant country and the date of filing[13]. There must be filed within three months of the filing of the application for registration under the Act a certificate by the registering or other competent authority of the relevant country certifying, or verifying to the satisfaction of the registrar: (A) the date of the filing of the application; (B) the relevant country or registering or competent authority; (C) the representation of the mark; and (D) the goods or services covered by the application[14].

1 For the meaning of 'trade mark' see para 57 ante.
2 For the meaning of 'date of filing' see para 366 ante.
3 Trade Marks Act 1994 s 36(1). Any such Order in Council may make provision corresponding to that made by s 35 (see para 378 ante) in relation to Convention countries or such other provision as appear to Her Majesty to be appropriate: s 36(2). A statutory instrument containing any such Order in Council is subject to annulment in pursuance of a resolution of either House of Parliament: s 36(3). For the meaning of 'Convention country' see para 6 note 2 post.

As to the order that has been made see the Trade Marks (Claims to Priority from Relevant Countries) Order 1994, SI 1994/2803 (amended by SI 1995/2997). The order, as originally enacted, came into force on 5 December 1994: Trade Marks (Claims to Priority from Relevant Countries) Order 1994, SI 1994/2803, art 1.
4 For these purposes, 'duly filed' means a filing which is adequate to establish the date on which the application was filed in the relevant country in question, whatever may be the subsequent fate of the application: ibid art 2.
5 For these purposes, 'relevant country' means Antigua and Barbuda, Bahrain, Belize, Bolivia, Botswana, Brunei Darussalam, Colombia, Djibouti, Dominica, Ecuador, Guatemala, Hong Kong, India, Jamaica, Kuwait, Macau, Maldives, Mozambique, Myanmar, Namibia, Nicaragua, Pakistan, Sierra Leone, Thailand: ibid art 2, Schedule (substituted by SI 1995/2997).
6 Trade Marks (Claims to Priority from Relevant Countries) Order 1994, SI 1994/2803, art 3.
7 For the meaning of 'United Kingdom' see para 3 note 2 ante.
8 Trade Marks (Claims to Priority from Relevant Countries) Order 1994, SI 1994/2803, art 4.
9 Ibid art 5.
10 Ibid art 6.
11 Ibid art 7.
12 Ie a certificate as is referred to in ibid art 8(2): see the text to note 14 infra.
13 Ibid art 8(1).
14 Ibid art 8(2).

380. Claim to priority from other relevant overseas application; old applications. Where before 31 October 1994 a person duly filed an application for protection of a trade mark[1] in a relevant country[2] which is not a Convention country (a 'relevant overseas application'), he, or his successor in title, has a right to priority, for the purposes of registering the same trade mark under the Trade Marks Act 1994 for some or all of the same goods or services, for a period of six months from the date of filing of the relevant overseas application[3].

If the application for registration under the Act is made within that six month period: (1) the relevant date for the purposes of establishing which rights take precedence is the date of filing of the relevant overseas application; and (2) the registrability of the trade mark is not affected by any use of the mark in the United Kingdom[4] in the period between that date and the date of the application under the Act[5].

Any filing which in a relevant country is equivalent to a regular national filing[6], under its domestic legislation or an international agreement, is treated as giving rise to the right of priority[7].

A subsequent application concerning the same subject as the relevant overseas application, filed in the same country, is considered the relevant overseas application (of which the filing date is the starting date of the period of priority), if at the time of the subsequent application:

(a) the previous application has been withdrawn, abandoned or refused, without having been laid open to public inspection and without leaving any rights outstanding; and

(b) it has not yet served as a basis for claiming a right of priority[8].

The previous application may not thereafter serve as a basis for claiming a right of priority[9].

A right to priority arising as a result of a relevant overseas application may be assigned or otherwise transmitted, either with the application or independently[10].

1 For the meaning of 'trade mark' see para 57 ante.

2 'Relevant country' meant a country which was specified in an Order in Council under the Trade Marks Act 1938 s 39A (as added) at the time of the application under s 38A (as added) or such other time as might be specified in the Order in Council: s 39A(10) (added by the Patents, Designs and Marks Act 1986 s 2(2), Sch 2 para 5). The Trade Marks Act 1938 was repealed by the Trade Marks Act 1994 s 106(2), Sch 5. The Order in Council so made was the Trade Marks and Service Marks (Relevant Countries) Order 1986, SI 1986/1303 (amended by SI 1986/1890; SI 1986/2236; SI 1987/170; SI 1988/1856; SI 1990/2593; SI 1992/2672; SI 1993/1258).

3 Trade Marks Act 1994 s 105, Sch 3 para 14(1). See also note 9 infra. Nothing in Sch 3 para 14 affects proceedings on an application for registration under the Trade Marks Act 1938 made before 31 October 1994 (see the Trade Marks Act 1994 Sch 3 para 10; and para 363 ante): Sch 3 para 14(7).

Provision may be made by rules as to the manner of claiming a right to priority on the basis of a relevant overseas application: Sch 3 para 14(5).

4 For the meaning of 'United Kingdom' see para 3 note 2 ante.

5 Trade Marks Act 1994 Sch 3 para 14(2).

6 For these purposes, a 'regular national filing' means a filing which is adequate to establish the date on which the application was filed in that country, whatever may be the subsequent fate of the application: ibid Sch 3 para 14(3).

7 Ibid Sch 3 para 14(3).

8 Ibid Sch 3 para 14(4).

9 Ibid Sch 3 para 14(4).

10 Ibid Sch 3 para 14(6). The reference in Sch 3 para 14(1) (see the text to notes 1–3 supra) to the applicant's 'successor in title' is to be construed accordingly: Sch 3 para 14(6).

(vii) Acceptance or Refusal of Application or of International Registration

381. Acceptance or refusal of application for a registered trade mark. If it appears to the registrar[1] that the requirements for registration[2] are not met, he must

inform the applicant and give him an opportunity, within such period as the registrar may specify, to make representations or to amend the application[3]. If the applicant fails to satisfy the registrar that those requirements are met, or to amend the application so as to meet them, or fails to respond before the end of the specified period[4], the registrar must refuse to accept the application[5]. Although there is no longer any statutory power under which the registrar may accept applications subject to amendments, disclaimers or limitations[6], in practice the registrar continues to indicate to applicants cases where objection could be overcome by an appropriate amendment, disclaimer or limitation[7]. If, however, it appears to the registrar that the requirements for registration are met, he must accept the application[8].

Where grounds for refusal of registration exist in respect of only some of the goods or services for which the trade mark has been applied for, refusal must cover those goods or services only[9]; and accordingly the registrar must accept the application so far as it relates to goods or services in respect of which grounds for refusal do not exist[10].

1 As to the registrar see para 17 ante.
2 As to the requirements for registration see para 55 et seq ante.
3 Trade Marks Act 1994 s 37(3).
4 If there is a failure to respond before the end of the specified period, then refusal is mandatory: *POSTPERFECT Trade Mark* [1998] RPC 255, Appointed Person.
5 Trade Marks Act 1994 s 37(4). By contrast with a decision following opposition proceedings (see para 385 post), there is no specific requirement for the registrar to notify the applicant of a decision under this provision stating his reasons. Instead the general rule that the registrar must send the applicant written notice of the decision applies, and the applicant may then request a statement of the reasons for the decision: see the Trade Mark Rules 2000, SI 2000/136, r 62; and para 404 post. When refusing registration of a trade mark, the registrar is required to state in his decision his conclusion for each of the individual goods and services specified in the application, regardless of the manner in which that application was formulated; nevertheless, where the same ground of refusal is given for a category or group of goods or services, the registrar may use general reasoning for all of the goods or services: Case C-239/05 *BVBA Management, Training en Consultancy v Benelux Merkenbureau* [2007] ETMR 35, [2007] All ER (D) 187 (Feb), ECJ. As to appeals from decisions of the registrar see para 405 et seq post.
6 Ie as there was under the Trade Marks Act 1938 s 17(2) (repealed). As to disclaimers and limitations see para 83 ante.
7 Eg a disclaimer of an element of the mark applied for, or a territorial limitation might overcome an objection of lack of distinctiveness: see para 83 ante.
8 Trade Marks Act 1994 s 37(5); *EUROLAMB Trade Mark* [1997] RPC 279, Appointed Person; *Procter & Gamble Ltd's Trade Mark Applications* [1999] RPC 673, [1999] ETMR 816, CA; and see further para 55 ante. In this respect the Trade Marks Act 1994 differs from the Trade Marks Act 1938, which gave the registrar a residual discretion to refuse registration of a mark even if it met the statutory requirements.
9 EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks, art 13. These provisions have no counterpart in the Trade Marks Act 1994 s 37 (cf s 46(5) (see para 117 ante) and s 47(5) (see para 120 ante), but nevertheless they are binding upon the registrar: *MISTER LONG Trade Mark* [1998] RPC 401, Appointed Person; *Nettec Solutions Ltd's Trade Mark Application* [2003] RPC 308, Appointed Person; *Sensornet Ltd's Trade Mark Application* [2007] RPC 185, Appointed Person.
10 *Sensornet Ltd's Trade Mark Application* [2007] RPC 185, Appointed Person. It is unclear whether this enables the registrar to re-write the specification of goods or only to apply a blue-pencil test, but the registrar's current practice is that proposals to re-word specifications must be put forward by the applicant: Practice Amendment Notice (PAN 14/06).

382. Decision as to whether to uphold notice of provisional refusal of protection for international registration. Where the registrar[1] has given notice of provisional refusal[2] to the International Bureau[3], the registrar must decide whether the provisional refusal will be upheld[4] in whole or in relation to some only of the goods or services in relation to which protection in the United Kingdom is requested and notify the International Bureau accordingly[5].

1 As to the registrar see para 17 ante.

2 Ie notice of provisional refusal pursuant to the Trade Marks (International Registration) Order 1996, SI 1996/714, art 9(3) (as amended) (see para 373 ante), art 9A(1) (as added) (see para 373 ante), or art 10A(5) (as added) (see para 384 post).
3 As to the International Bureau see paras 8 note 11, 12 note 5 ante.
4 Ie in the light of the representations made by the holder (if any) (see para 372 ante) or in the light of the parties' evidence and argument in opposition proceedings (see para 384 post).
5 Trade Marks (International Registration) Order 1996, SI 1996/714, art 11(4) (substituted by SI 2002/692; and amended by SI 2004/948). If and to the extent that the notice of provisional refusal is upheld, the request for extension of protection will stand refused subject to any appeal. If and to the extent that the notice of provisional refusal is not upheld, it is implicit that the registrar must publish a notice under the Trade Marks (International Registration) Order 1996, SI 1996/714, art 10(1) (see para 383 post). If there is an appeal to the appointed person or the court against a decision to uphold a notice of provisional refusal, the registrar must notify the International Bureau of the decision of the appointed person or the court: art 11(5) (substituted by SI 2002/692).

383. Publication of applications. When an application for registration of a trade mark[1] has been accepted, the registrar[2] must publish[3] the application[4]. If the essential features of the mark are not clearly depicted, the registrar ought to re-publish the application in correct form and the opposition period will start from the date of re-publication[5].

Similarly, where following examination[6] of an application for protection of an international registration[7], it appears to the registrar that the application is entitled to protection[8] in relation to all or some of the goods or services specified in the international registration, the registrar must publish a notice specifying particulars of the international registration and the goods and services for which protection is to be conferred[9].

1 As to the requirements for registration see para 55 et seq ante; and as to the procedure on the application see the text and notes 2–5 infra; and paras 352 et seq ante, 384 et seq post. For the meaning of 'trade mark' see para 57 ante.
2 As to the registrar see para 17 ante.
3 For the meaning of 'publish' see para 17 note 10 ante.
4 Trade Marks Act 1994 s 38(1); Trade Marks Rules 2000, SI 2000/136, r 12.
5 *CREOLA Trade Mark* [1997] RPC 507; *Andreas Stihl AG & Co's Trade Mark Application* [2001] RPC 215, Appointed Person. As to opposition see para 384 et seq post.
6 Ie an examination under the Trade Marks (International Registration) Order 1996, SI 1996/714, art 9: see para 373 ante. It is implicit that, if the registrar decides in the light of representations made by the holder not to uphold a notice of provisional refusal under r 9(3) (as amended) (see para 373 ante) or r 9A(1) (as added) (see para 373 ante) he must follow the same procedure.
7 For the meaning of 'international registration' see para 12 note 2 ante.
8 Ie that it satisfies the requirements of the Trade Marks Act 1994, including any requirements imposed by rules, as they apply to international registrations: see para 373 ante.
9 Trade Marks (International Registration) Order 1996, SI 1996/714, art 10(1) (substituted by SI 2004/948). Unless this notice is published at least four months before the expiry of the period of 18 months from the date on which the notification of the request for protection was sent to the United Kingdom, the registrar must inform the International Bureau that oppositions may be filed after the expiry of that period: Trade Marks (International Registration) Order 1996, SI 1996/714, art 11(2) (substituted by SI 2002/692). As to the International Bureau see paras 8 note 11, 12 note 5 ante.

(viii) Opposition Proceedings

384. Opposition proceedings. Any person[1] may give notice to the registrar[2] of opposition to the registration of a trade mark[3] within three months of the date on which the application was published[4]; and the notice must include a statement of the grounds[5] of opposition[6]. Where the opposition is based on an earlier trade mark[7], the statement of grounds must include a representation of that mark, details of the authority with which that mark is registered or has been applied for, the registration or application number of that mark, the classes[8] in respect of which that mark is registered or has been applied for,

and the goods and services in respect of which that mark is registered or has been applied for and in respect of which the opposition is based [9]. In addition, where the earlier trade mark has been registered and the registration procedure for that mark was completed before the period of five years ending with the date of publication of the application, the statement of grounds must include a statement detailing whether during the relevant period[10] the mark has been put to genuine use in relation to each of the goods and services in respect of which the opposition is based or whether there are proper reasons for non-use[11] (a 'statement of use')[12]. Where the opposition is based on an unregistered trade mark or other sign which the opponent claims to be protected by virtue of any rule of law (in particular the law of passing off)[13], the statement of grounds must include a representation of that mark or sign and the goods or services in respect of which such protection is claimed[14].

Similarly, within three months of the date of publication by the registrar of a notice that protection will be conferred upon an international registration[15], any person may give notice to the registrar of opposition to the conferring of protection[16]. The requirements as to form and service of the notice of opposition are the same as those applying to notice of opposition to the registration of a United Kingdom registered trade mark[17], and the procedural steps described below apply equally to both kinds of oppositions except where indicated[18]. In addition, however, where notice of opposition to the conferring of protection on an international registration has been given the registrar must, within four months of the publication of the notice that protection is to be conferred[19], give notice of provisional refusal to the International Bureau[20] stating the grounds on which the opposition is based[21].

The registrar must send a copy of the appropriate form[22] to the applicant for the United Kingdom registered trade mark, or in the case of an international registration, the holder[23]. The date on which this is done is the 'notification date'[24]. The applicant or holder must then file the relevant form[25], which must include a counter-statement within the relevant period[26]. The relevant period for this purpose is:

(1) unless either head (2) or head (3) below applies, the period beginning on the notification date and ending three months after that date[27];

(2) where the applicant and the opponent agree to an extension of time for filing[28], within the period of three months either party files the necessary form[29] requesting such an extension of time and during the period beginning on the date that form was filed and ending 12 months after the notification date no notice to continue[30] is filed by the opponent, the period beginning on the notification date and ending 12 months after that date[31];

(3) where a request for an extension of time for filing[32] has been filed[33] and the opponent has filed a notice to continue[34], the period beginning on the notification date and ending three months after that date or one month after the date on which the notice to continue was filed, whichever is the later[35].

If the applicant fails to file the necessary form[36] and counter-statement within the relevant period, the application is deemed withdrawn[37]. Similarly, if the holder of the international registration fails to file the necessary form[38] and counter-statement within the relevant period, the registrar must notify the International Bureau that the provisional refusal has been upheld[39].

The registrar must send a copy of the form[40] (including the counter-statement) to the opponent[41]. Unless the registrar gives a preliminary indication, the date upon which this is done is the 'initiation date'[42]. If the opposition or part of it is based on the relative grounds of refusal[43], then unless the registrar indicates to the parties that he thinks it is inappropriate to do so, the registrar must consider the statement of the grounds of opposition and the counter-statement and notify the parties whether it appears to him

that the mark should or should not be registered in respect of the goods and services listed in the application (a 'preliminary indication')[44]. Where such notification is sent the date upon which it is sent is the 'indication date'[45]. If the registrar's preliminary indication is that the mark should be registered for all the goods and services listed in the application, then the opponent must file a notice of intention to proceed[46] or else he will be deemed to have withdrawn his opposition[47]. If the registrar's preliminary indication is that the mark should be registered for some, but not all, of the goods and services listed in the application, then the applicant will be deemed to have withdrawn his application unless either the applicant or the opponent files a notice of intention to proceed[48] within one month of the indication date or the applicant requests the amendment of his application so that it only relates to those goods and services[49] within a further month[50]. If the registrar's preliminary indication is that the mark should not be registered for any of the goods and services listed in the application, then the applicant must file a notice of intention to proceed[51] within month one of the indication date or else he will be deemed to have withdrawn the application[52]. If a notice of intention to proceed is filed by either party, the registrar must send a copy of that notice to all the other parties; and the date upon which this is done is then the 'initiation date'[53].

Within three months of the initiation date, the opponent must file[54] any evidence he considers necessary to adduce in support of his opposition[55]. Where the opposition is based on an earlier trade mark the registration procedure for which was completed before the start of the period of five years ending with the date of publication, and the applicant or holder has either denied or not admitted the truth of a matter set out in the statement of use, the opponent must also file[56] evidence supporting the statement of use[57]. If the opponent files no such evidence, he is deemed, unless the registrar otherwise directs, to have withdrawn his opposition[58]. The registrar must notify the applicant or holder of any such direction[59].

If the opponent files evidence or the registrar notifies the applicant or holder of such a direction, the applicant may, within three months of the evidence being filed or the registrar sending him such notification, file[60] any evidence he may consider necessary to adduce in support of his application[61].

Where the applicant or holder files evidence, the opponent may, within three months of such evidence being filed, file[62] evidence in reply which must be confined to matters strictly in reply to the applicant's or holder's evidence[63].

The registrar may at any time, if he thinks fit, give leave to either party to file[64] evidence upon such terms as he thinks fit[65].

When the periods for filing evidence have expired, the registrar must request that the parties give written notice of whether they wish to be heard[66]. If a hearing is requested by any party to the proceedings, the registrar must send to the parties notice of a date for the hearing[67].

1 The opponent does not have to show that he is aggrieved by, or otherwise interested in, the application: *Pharmedica GmbH's Trade Mark Application* [2000] RPC 536, [2000] All ER (D) 28; cf *Oystertec plc's Patent* [2002] EWHC 2324 (Pat), [2003] RPC 559, sub nom *Oystertec plc v Edward Evans Barker* [2003] IP & T 1015. When an opponent transfers to another person the interest which he is seeking to protect by means of the opposition, eg upon sale of the relevant business or earlier trade mark, the registrar has a discretion to permit the substitution of that person as opponent, even in the absence of any explicit statutory power under the Trade Marks Act 1994 or rules authorising such a substitution: *Pharmedica GmbH's Trade Mark Application* supra.

2 As to the registrar see para 17 ante.

3 For the meaning of 'trade mark' see para 57 ante. Notice must be given on Form TM7. As to the use of forms see para 353 ante.

The notice must correctly identify the trade mark application sought to be opposed and the registrar has no power to put right an error made in identifying the application after the application has become

registered: *DUCATI Trade Mark* [1998] RPC 227, Trade Marks Registry; cf *Andreas Stihl AG & Co's Trade Mark Application* [2001] RPC 215, Appointed Person; *BAT OUT OF HELL Trade Mark* (O/398/02), Appointed Person.

4 Ie under the Trade Marks Rules 2000, SI 2000/136, r 12: see para 383 ante. For the meaning of 'publish' see para 17 note 10 ante.

5 The statement of grounds should properly plead and particularise the material facts upon which an allegation is based; and the previous practice that led to pleadings before the Trade Marks Registry often failing to identify the issues should not continue: *Julian Higgins' Trade Mark Application* [2000] RPC 321; *CLUB EUROPE Trade Mark* [2000] RPC 329, [1999] All ER (D) 686; *DEMON ALE Trade Mark* [2000] RPC 345, Appointed Person. The Trade Marks Registry has published a Tribunal Practice Notice (TPN 1/2000) [2000] RPC 587 setting out the matters which should be contained in pleadings. Tribunal Practice Notices are available from the Patent Office or on its website, accessible at the date at which this title states the law at www.patent.gov.uk or www.ipo.gov.uk. As to the Patent Office, its organisation and seal see para 14 note 2 ante; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) paras 666–667. Note that the Patent Office is now operating under the name 'the UK Intellectual Property Office' ('UK-IPO'): see the UK Intellectual Property Office Name Change Fact Sheet. As to the procedural powers of the registrar see further para 358 ante.

6 Trade Marks Act 1994 s 38(2); Trade Marks Rules 2000, SI 2000/136, r 13(1) (r 13 substituted by SI 2004/947). The period specified in the Trade Marks Rules 2000, SI 2000/136, r 13(1) (as substituted) may not be extended: see r 68(1), (3) (r 68(3) as amended); and para 356 ante.

7 For the meaning of 'earlier trade mark' see para 70 ante. The opponent need not be the proprietor of the earlier trade mark relied upon (*BALMORAL Trade Mark* [1999] RPC 297, Appointed Person) unless the Trade Mark Act 1994 s 7(2) (see para 80 ante) or s 60(2) (see para 154 ante) applies. If it is registered, the earlier trade mark must be presumed to be validly registered unless the applicant brings separate proceedings to challenge that registration: see s 72; and para 110 ante.

8 As to classification of goods and services see para 369 et seq ante.

9 Trade Marks Rules 2000, SI 2000/136, r 13(2)(a)–(d), (3) (as substituted: see note 6 supra).

10 Ie the period specified in the Trade Marks Act 1994 s 6A(3)(a) (as added): see para 79 ante.

11 As to genuine use and proper reasons for non-use see para 114 ante.

12 Trade Marks Rules 2000, SI 2000/136, r 13(2)(e) (as substituted: see note 6 supra).

13 As to reliance upon such earlier rights see para 77 ante. The opponent need not be proprietor of the earlier right relied upon: *WILD CHILD Trade Mark* [1998] RPC 455, Appointed Person. As to passing off see para 304 et seq ante.

14 Trade Marks Rules 2000, SI 2000/136, r 13(4) (as substituted: see note 6 ante).

15 Ie a notice specifying particulars of the international registration and particulars of the goods or services for which protection in the United Kingdom will be conferred published pursuant to the Trade Marks (International Registration) Order 1996, SI 1996/714, art 10(1) (as substituted): see para 383 ante. For the meaning of 'international registration' see para 12 note 2 ante.

16 Ibid art 10(2) (art 10 substituted by SI 2004/948).

17 See the Trade Marks (International Registration) Order 1996, SI 1996/714, art 10A(1), (2)–(4) (art 10A added by SI 2004/948; and the Trade Marks (International Registration) Order 1996, SI 1996/714, art 10A(1) amended by SI 2006/763). In addition the Form TM7 must include an address for service in the United Kingdom unless in a particular case the registrar otherwise directs: Trade Marks (International Registration) Order 1996, SI 1996/714, art 10A(1)(b), (1A) (art 10A(1)(b) as so added and amended; art 10A(1A) added by SI 2006/763; and amended by SI 2006/1080). As to address for service see para 357 ante.

18 The Trade Marks (International Registration) Order 1996, SI 1996/714, art 10C(2) (art 10C added by SI 2004/948) applies the Trade Marks Rules 2000, SI 2000/136, rr 13B, 13C (both as added) (see the text and notes 44–67 infra), r 14 (as amended) (see para 385 post) and r 37 (see para 358 ante) to opposition proceedings against the conferring of protection on international registrations, with the substitution of 'the holder' for 'the applicant' and other modifications. See also the Trade Marks (International Registration) Order 1996, SI 1996/714, art 10B (added by SI 2004/948).

19 Ie under the Trade Marks (International Registration) Order 1996, SI 1996/714, art 10(1) (as substituted): see para 383 ante.

20 As to the International Bureau see paras 8 note 11, 12 note 5 ante.

21 Trade Marks (International Registration) Order 1996, SI 1996/714, art 10A(5) (as added: see note 17 supra).

22 Ie Form TM7. For the meaning of 'send' see para 25 note 14 ante.

23 Trade Marks (International Registration) Order 1996, SI 1996/714, art 10A(6) (as added: see note 17 supra); Trade Marks Rules 2000, SI 2000/136, r 13(5) (as substituted: see note 6 supra).

24 Trade Marks (International Registration) Order 1996, SI 1996/714, art 10A(6) (as added: see note 17 supra); Trade Marks Rules 2000, SI 2000/136, r 13(5) (as substituted: see note 6 supra).

25 Ie Form TM8. For the meaning of references to 'filing' see para 25 note 2 ante. As to the filing of documents by electronic means see para 354 ante.
26 Trade Marks (International Registration) Order 1996, SI 1996/714, art 10B(1) (art 10B added by SI 2004/948); Trade Marks Rules 2000, SI 2000/136, r 13A(1) (r 13A added by SI 2004/947). The holder of the international registration is required at this point to give an address for service in the United Kingdom: Trade Marks (International Registration) Order 1996, SI 1996/714, art 10B(1) (as so added). As to addresses for service see para 357 ante.
27 Ibid art 10B(2) (as added: see note 26 supra); Trade Marks Rules 2000, SI 2000/136, r 13A(2) (as added: see note 26 supra).
28 Ie filing Form TM8.
29 Ie Form TM9c.
30 Ie on Form TM9t.
31 Trade Marks (International Registration) Order 1996, SI 1996/714, art 10B(3) (as added: see note 26 supra); Trade Marks Rules 2000, SI 2000/136, r 13A(3) (as added: see note 26 supra). The purpose of this provision is to allow the parties to agree a cooling off period to see if a settlement can be negotiated.
32 Ie filing Form TM8.
33 Ie on Form TM9c.
34 Ie on Form TM9t.
35 Trade Marks (International Registration) Order 1996, SI 1996/714, art 10B(4) (as added: see note 26 supra); Trade Marks Rules 2000, SI 2000/136, r 13A(4) (as added: see note 26 supra).
36 Ie Form TM8.
37 Trade Marks Rules 2000, SI 2000/136, r 13A(1) (as added: see note 26 supra). The relevant period cannot be extended: r 68(3) (amended by SI 2004/947); and see para 356 ante. If the applicant fails to file a Form TM8 and counter-statement within the relevant period, the registrar has no discretion to permit the application to stand: *KML Invest AB's Trade Mark Application* [2004] RPC 972, Appointed Person.
38 Ie Form TM8.
39 Trade Marks (International Registration) Order 1996, SI 1996/714, art 10B(1) (as added: see note 26 supra).
40 Ie Form TM8.
41 Trade Marks (International Registration) Order 1996, SI 1996/714, art 10C(1) (as added: see note 18 supra); Trade Marks Rules 2000, SI 2000/136, r 13A(5) (as added: see note 26 supra).
42 Ibid r 13A(5) (as added: see note 26 supra); Trade Marks (International Registration) Order 1996, SI 1996/714, art 10C(1) (as added: see note 18 supra).
43 Ie under the Trade Marks Act 1994 s 5(1), (2): see paras 70–74 ante.
44 Trade Marks (International Registration) Order 1996, SI 1996/714, art 10C(2) (as added: see note 18 supra); Trade Marks Rules 2000, SI 2000/136, r 13B(1), (2) (r 13B added by SI 2004/947). The registrar need not give reasons for the preliminary indication (although in practice he usually does so), and the preliminary indication is not subject to appeal: Trade Marks (International Registration) Order 1996, SI 1996/714, art 10C(2) (as added: see note 18 supra); Trade Marks Rules 2000, SI 2000/136, r 13B(5) (as so added).
45 Trade Marks (International Registration) Order 1996, SI 1996/714, art 10C(2) (as added: see note 18 supra); Trade Marks Rules 2000, SI 2000/136, r 13B(3) (as added: see note 44 supra).
46 Notice of intention to proceed must be filed on Form TM53.
47 Trade Marks (International Registration) Order 1996, SI 1996/714, art 10C(2) (as added: see note 18 supra); Trade Marks Rules 2000, SI 2000/136, r 13B(4)(a) (as added: see note 44 supra).
48 See note 46 supra.
49 See paras 374–375 ante.
50 Trade Marks (International Registration) Order 1996, SI 1996/714, art 10C(2) (as added: see note 18 supra); Trade Marks Rules 2000, SI 2000/136, r 13B(4)(b) (as added: see note 44 supra).
51 See note 46 supra.
52 Trade Marks (International Registration) Order 1996, SI 1996/714, art 10C(2) (as added: see note 18 supra); Trade Marks Rules 2000, SI 2000/136, r 13B(4)(c) (as added: see note 44 supra).
53 Trade Marks (International Registration) Order 1996, SI 1996/714, art 10C(2) (as added: see note 18 supra); Trade Marks Rules 2000, SI 2000/136, r 13B(6) (as added: see note 44 supra).
54 For these purposes, evidence is only considered filed when it has been received by the registrar accompanied by Form TM54 and it has been sent to all other parties to the opposition: Trade Marks (International Registration) Order 1996, SI 1996/714, art 10C(2) (as added: see note 18 supra); Trade Marks Rules 2000, SI 2000/136, r 13C(7) (r 13C added by SI 2004/947).
55 Trade Marks (International Registration) Order 1996, SI 1996/714, art 10C(2) (as added: see note 18 supra); Trade Marks Rules 2000, SI 2000/136, r 13C(1)(a) (as added: see note 54 supra).
56 See note 54 supra.
57 Trade Marks (International Registration) Order 1996, SI 1996/714, art 10C(2) (as added: see note 18 supra); Trade Marks Rules 2000, SI 2000/136, r 13C(1)(b) (as added: see note 54 supra).

58 Trade Marks (International Registration) Order 1996, SI 1996/714, art 10C(2) (as added: see note 18 supra); Trade Marks Rules 2000, SI 2000/136, r 13C(2) (as added: see note 54 supra). This provision gives the registrar a discretion. If the opponent does not need or wish to rely upon any evidence at all (e g because he alleges that the trade mark is descriptive or otherwise lacking in distinctive character), the registrar should normally exercise this discretion in favour of the opponent. Otherwise the proper exercise of the discretion will depend on the circumstances of the case.

59 Trade Marks (International Registration) Order 1996, SI 1996/714, art 10C(2) (as added: see note 18 supra); Trade Marks Rules 2000, SI 2000/136, r 13C(3) (as added: see note 54 supra).

60 See note 54 supra.

61 Trade Marks (International Registration) Order 1996, SI 1996/714, art 10C(2) (as added: see note 18 supra); Trade Marks Rules 2000, SI 2000/136, r 13C(4) (as added: see note 54 supra).

62 See note 54 supra.

63 Trade Marks (International Registration) Order 1996, SI 1996/714, art 10C(2) (as added: see note 18 supra); Trade Marks Rules 2000, SI 2000/136, r 13C(5) (as added: see note 54 supra). As to what constitutes 'matters strictly in reply' see *Peckitt's Application* [1999] RPC 337, Comptroller-General.

64 See note 54 supra.

65 Trade Marks (International Registration) Order 1996, SI 1996/714, art 10C(2) (as added: see note 18 supra); Trade Marks Rules 2000, SI 2000/136, r 13C(6) (as added: see note 54 supra).

66 Trade Marks (International Registration) Order 1996, SI 1996/714, art 10C(2) (as added: see note 18 supra); Trade Marks Rules 2000, SI 2000/136, r 13C(8) (as added: see note 54 supra).

67 Trade Marks (International Registration) Order 1996, SI 1996/714, art 10C(2) (as added: see note 18 supra); Trade Marks Rules 2000, SI 2000/136, r 13C(9) (as added: see note 54 supra).

385. Registrar's decision. When the registrar[1] has made a decision on the acceptability of an application for registration or of an international registration[2] following opposition proceedings[3], he must send the applicant and the person opposing the application written notice of it, stating the reasons for his decision[4].

1 As to the registrar see para 17 ante.

2 Ie an international registration under the Madrid Protocol in respect of which a request for protection in the United Kingdom has been made: see para 13 ante. For the meaning of 'international registration' see para 12 note 2 ante. For the meaning of 'United Kingdom' see para 3 note 2 ante. As to the Madrid Protocol see para 8 ante.

3 Ie following the procedure under the Trade Marks Rules 2000, SI 2000/136, rr 13–13C (as amended): see para 384 ante.

4 Ibid r 14(1) (amended by SI 2004/947); Trade Marks (International Registration) Order 1996, SI 1996/714, art 10C(2) (added by SI 2004/948). For the purposes of any appeal against the registrar's decision, the date of the decision is the date when notice of the decision is sent under the Trade Marks Rules 2000, SI 2000/136, r 14(1): r 14(2). In the case of an opposition to an application for protection of an international registration, the decision will stand as the registrar's decision as to whether to uphold the notice of provisional refusal under the Trade Marks (International Registration) Order 1996, SI 1996/714, art 10A(5) (as added) (see para 384 ante) required by art 11(4) (as added) (see para 382 ante).

386. Res judicata. If an opponent is successful, and a fresh application is made and he opposes again, the matter may or may not be res judicata depending in particular on whether the different application date and any differences in the trade marks applied for affect the causes of action and/or the issues raised[1]. Lack of success will not preclude the opponent from subsequently challenging the validity of the registration unless the particular circumstances of the later challenge mean that it is an abuse of process[2].

1 *Re William Hunt & Sons, The Brades Ltd's Application* (1911) 28 RPC 302; *Re Massachusetts Saw Works' Application* (1918) 35 RPC 137; c f *Unilever Ltd's (Striped Toothpaste No 2) Trade Marks* [1987] RPC 13; *Philips Electronics NV v Remington Consumer Products Ltd (No 2)* [1999] ETMR 835, [1999] All ER (D) 351; *Hormel Foods Corpn v Antilles Landscape Investments NV* [2005] EWHC 13 (Ch), [2005] RPC 657, [2005] IP & T 822.

2 *Special Effects Ltd v L'Oréal SA* [2007] EWCA Civ 1, [2007] RPC 380, [2007] All ER (D) 29 (Jan). This decision reflects the position regarding successive proceedings before the Office for Harmonisation in the Internal Market: see para 289 note 11 ante. As to the Office see para 180 et seq ante.

(ix) Observations on Registrability

387. In general. Where an application for registration of a trade mark has been published[1], any person may, at any time before the registration[2] of the trade mark[3], make observations in writing to the registrar[4] as to whether the trade mark should be registered[5]. Similarly, where a notice has been published that protection in the United Kingdom will be conferred on an international registration[6], any person may, at any time before the trade mark becomes protected, make observations in writing to the registrar as to whether the trade mark should be protected[7]. A person who makes observations does not thereby become a party to the proceedings on the application or international registration[8]. The registrar must send[9] to the applicant for a United Kingdom trade mark a copy of any documents containing any such observations[10].

1 As to publication of the application see para 383 ante.
2 For the meaning of 'registration' see para 19 note 2 ante.
3 For the meaning of 'trade mark' see para 57 ante.
4 As to the registrar see para 17 ante.
5 Trade Marks Act 1994 s 38(3).
6 Ie a notice specifying particulars of the international registration and particulars of the goods and services in respect of which protection will be conferred published under the Trade Marks (International Registration) Order 1996, SI 1996/714, art 10(1) (as substituted): see para 383 ante. For the meaning of 'international registration' see para 12 note 2 ante. For the meaning of 'United Kingdom' see para 3 note 2 ante.
7 Ibid art 10(3) (substituted by SI 2004/948).
8 Trade Marks Act 1994 s 38(3); Trade Marks (International Registration) Order 1996, SI 1996/714, art 10(3) (as substituted: see note 7 supra).
9 For the meaning of 'send' see para 25 note 14 ante.
10 Trade Marks Rules 2000, SI 2000/136, r 15; Trade Marks (International Registration) Order 1996, SI 1996/714, art 10(3) (as substituted: see note 7 supra).

(x) Registration

388. Registration of trade mark. Where an application has been accepted and:

(1) no notice of opposition[1] is given within the specified period[2]; or

(2) all opposition proceedings are withdrawn or decided in favour of the applicant[3],

the registrar[4] must register the trade mark unless it appears to him, having regard to matters coming to his notice since he accepted the application[5], that the registration requirements (other than the relative grounds for refusal[6]) were not met at that time[7]. A trade mark may not, however, be so registered unless any fee prescribed for the registration is paid within the prescribed period; if the fee is not paid within that period, the application is deemed to be withdrawn[8].

On the registration of a trade mark the registrar must publish[9] the registration, specifying the date upon which the trade mark was entered in the register[10] and issue to the applicant a certificate of registration[11].

1 As to opposition proceedings see paras 384–386 ante.
2 Trade Marks Act 1994 s 40(1)(a). The specified period is the period referred to in s 38(2) (see para 384 ante): s 40(1)(a).
3 Ibid s 40(1)(b).
4 As to the registrar see para 17 ante.
5 Eg as a result of third party observations (as to which see para 387 ante).
6 Ie under the Trade Marks Act s 5(1)–(3) (s 5(3) as amended): see para 70 et seq ante.
7 Ibid s 40(1) (amended by the Trade Marks (Proof of Use) Regulations 2004, SI 2004/946, reg 5). Once the relevant time limits have expired the registrar is obliged to take timely steps to enter the trade mark on the register: *CREOLA Trade Mark* [1997] RPC 507. The registrar has power to withdraw a registration if it is subsequently discovered that the registration was procedurally irregular: see *Andreas Stihl AG & Co's Trade Mark Application* [2001] RPC 215, Appointed Person; *BAT OUT OF HELL Trade Mark* (O/398/02), Appointed Person; and para 361 ante.

8 Trade Marks Act 1994 s 40(2). As to fees see para 16 ante.
9 For the meaning of 'publish' see para 17 note 10 ante.
10 Ie the date of filing of the application for registration: Trade Marks Act s 40(3): see para 21 ante.
11 Ibid s 40(4); Trade Marks Rules 2000, SI 2000/136, r 16.

389. Conferring of protection on an international registration. Where the period of 18 months expires from the date on which notification of the request for protection was sent to the United Kingdom[1] expires without any notice of provisional refusal having been given and without the International Bureau[2] having been informed that oppositions may be filed after the expiry of that period[3], the trade mark which is the subject of the request must be granted protection[4]. Subject to this, the trade mark must be protected in respect of the relevant goods or services:

(1) where particulars of the international registration have been published[5] in respect of all or some of the goods or services comprised in the international registration and the period for giving notice of opposition[6] has expired without notice of opposition having been given and without notice of refusal not based on an opposition having been given and not withdrawn[7];

(2) where particulars of the international registration have been published in respect of all or some of the goods or services comprised in the international registration and on the expiry of the period for giving notice of opposition notice of opposition has been given in relation to some only of the goods or services specified in the notice and no notice of refusal not based on an opposition has been given and not withdrawn in relation to the remaining goods or services[8]; and

(3) where particulars of the international registration have been published in respect of all or some of the goods or services comprised in the international registration and within the period for giving notice of opposition notice of opposition has been given in respect of all or some of the goods or services specified in the notice but subsequently a final decision[9] is made that the notice of provisional refusal given as a result of that opposition is withdrawn in respect of all or some of those goods or services and no notice of refusal (whether based on an opposition or otherwise) continues to subsist in relation to those goods or services[10].

When a trade mark becomes protected pursuant to these provisions, the registrar must publish[11] a notice specifying the number of the international registration[12] in respect of that trade mark, the date on which protection is conferred[13] and the date and place of publication of the notice of acceptance[14].

1 For the meaning of 'United Kingdom' see para 3 note 2 ante.
2 As to the International Bureau see paras 8 note 11, 12 note 5 ante.
3 Ie pursuant to the Trade Marks (International Registration) Order 1996, SI 1996/714, art 11(2) (as substituted): see para 383 note 9 ante.
4 Ibid art 12(1) (substituted by SI 2002/692).
5 Ie pursuant to the Trade Marks (International Registration) Order 1996, SI 1996/714, art 10(1) (as substituted): see para 383 ante.
6 Ie in accordance with ibid art 10(2) (as substituted): see para 384 ante.
7 Ibid art 12(1A) (added by SI 2002/692).
8 Trade Marks (International Registration) Order 1996, SI 1996/714, art 12(1B) (added by SI 2002/692).
9 A final decision is made where the registrar, or the appointed person or the court on appeal from the registrar, decides whether the refusal will be upheld in whole or in part and any right of appeal against that decision expires or is exhausted: Trade Marks (International Registration) Order 1996, SI 1996/714, art 12(1D) (added by SI 2002/692).
10 Trade Marks (International Registration) Order 1996, SI 1996/714, art 12(1C) (added by SI 2002/692).
11 For the meaning of 'publish' see para 17 note 10 ante.
12 For the meaning of 'international registration' see para 13 ante.
13 As to the date on which protection is conferred see para 21 ante.

14 Trade Marks (International Registration) Order 1996, SI 1996/714, art 12(3) (substituted by SI 2002/692).

(xi) Supply of Information

390. Information about applications and registered trade marks. After publication of an application for registration of a trade mark[1], the registrar[2] must on request provide a person with such information and permit him to inspect such documents relating to the application, or to any registered trade mark resulting from it, as may be specified in the request, subject, however, to any prescribed restrictions[3]. Any request must be made on the appropriate form[4] and must be accompanied by the appropriate fee, if any[5].

Before publication of an application for registration of a trade mark, documents or information constituting or relating to the application must not be published by the registrar or communicated by him to any person except in such cases and to such extent as may be prescribed[6] or with the consent of the applicant, but subject as follows[7]. Where a person has been notified that an application for registration of a trade mark has been made, and that the applicant will, if the application is granted, bring proceedings against him in respect of acts done after publication of the application, he may make a request for information[8] notwithstanding that the application has not been published[9].

Corresponding provisions apply to information in the possession of the registrar relating to international registrations[10] in respect of which protection is sought in the United Kingdom, before and after the registrar has published a notice[11] that protection will be conferred[12].

1 As to the publication of the application see para 383 ante. For the meaning of 'trade mark' see para 57 ante; and for the meaning of 'publish' see para 17 note 10 ante.
2 As to the registrar see para 17 ante.
3 Trade Marks Act 1994 s 67(1). As to the restrictions see paras 25–26 ante.
4 Ie Form TM31C. As to the use of forms see para 353 ante.
5 Trade Marks Act 1994 s 67(1); Trade Marks Rules 2000, SI 2000/136, r 48. As to fees see para 16 ante.
6 Before publication of an application for registration the registrar must make available for inspection by the public the application and any amendments made to it and any particulars contained in a notice given to the registrar under ibid r 41 (see para 132 ante): r 49(1).
7 Trade Marks Act 1994 s 67(2). Nothing in s 67(2) relating to publication of information may be construed as preventing the publication of decisions on cases relating to trade marks decided by the registrar: Trade Marks Rules 2000, SI 2000/136, r 49(2).
8 Ie under the Trade Marks Act 1994 s 67(1): see the text to notes 1–5 supra.
9 Ibid s 67(3).
10 For the meaning of 'international registration' see para 12 note 2 ante.
11 Ie a notice specifying particulars of the international registration and particulars of the goods and services in respect of which protection will be conferred published under the Trade Marks (International Registration) Order 1996, SI 1996/714, art 10(1) (as substituted): see para 383 ante.
12 See ibid art 25; and para 25 ante.

(3) OTHER PROCEEDINGS IN THE TRADE MARKS REGISTRY

(i) Merger, Reclassification and Alteration

391. Merger of separate registrations. The proprietor[1] of two or more registrations of a trade mark[2] may request the registrar[3] to merge them into a single registration; and the registrar must, if satisfied that the registrations are in respect of the same trade mark, merge them into a single registration[4]. Where any registration of a trade mark to be so merged is subject to a disclaimer or limitation, the merged

registration is also restricted accordingly[5]. Where any registration of a trade mark to be so merged has had registered in relation to it particulars relating to the grant of a licence or a security interest or any right in or under it, or of any memorandum or statement of the effect of a memorandum, the registrar must enter in the register the same particulars in relation to the merged registration[6]. The date of registration of the merged registration is, where the separate registrations bear different dates of registration, the latest of those dates[7].

1 For the meaning of 'proprietor' see para 22 note 8 ante.
2 For the meaning of 'trade mark' see para 57 ante.
3 As to the registrar see para 17 ante. The request must be made on Form TM17. As to the use of forms see para 353 ante.
4 Trade Marks Act 1994 s 41(1)(b); Trade Marks Rules 2000, SI 2000/136, r 20(3).
5 Ibid r 20(4).
6 Ibid r 20(5).
7 Ibid r 20(6).

392. Reclassification; opposition to proposals. The registrar[1] may amend an entry in the register[2] which relates to the classification of a registered trade mark so that it accords with the current Nice Classification[3]. This power may not be exercised so as to extend the rights conferred by the registration, except where it appears to the registrar that compliance with this requirement would involve undue complexity and that any extension would not be substantial and would not adversely affect the rights of any person[4].

Before making any such amendment to the register, the registrar must give the proprietor[5] of the mark written notice of his proposals for amendment[6] and must at the same time advise him that:

(1) he may make written objections to the proposals, within three months of the date of the notice, stating the grounds of his objections[7]; and
(2) if no written objections are received within the period specified, the registrar will publish[8] the proposals and he will not be entitled to make any objections thereto upon such publication[9].

If the proprietor makes no written objections within the period specified in head (1) above or at any time before the expiration of that period gives the registrar written notice of his intention not to make any objections, the registrar must as soon as practicable after the expiration of that period or upon receipt of the notice publish the proposals[10]. Where the proprietor makes written objections within the period specified in head (2) above, the registrar must, as soon as possible after he has considered the objections, publish the proposals or, where he has amended the proposals, publish the proposals as amended; and his decision is final and not subject to appeal[11].

Any person may, within three months of the date on which the proposals were published[12], give notice to the registrar of opposition to the proposals[13] which must include a statement of the grounds of opposition and, in particular, why the proposed amendments would be contrary[14] to the statutory provisions[15]. The registrar may require or admit evidence directed to the questions in issue and, if so requested by any person opposing the proposal, give that person the opportunity to be heard thereon before deciding the matter[16]. If no notice of opposition is so filed within the time specified, or where any opposition has been determined, the registrar must make the amendments as proposed and must enter in the register the date when they were made; and his decision is final and not subject to appeal[17].

1 As to the registrar see para 17 ante.
2 As to the register see para 19 ante.

3 Trade Marks Rules 2000, SI 2000/136, r 46(1) (substituted by SI 2006/3039). As to classification of goods and services see para 369 ante; and as to the 'Nice Classification' see para 370 ante.

The Secretary of State may make provision by rules empowering the registrar to do such things as he considers necessary to implement any amended or substituted classification of goods or services for the purposes of the registration of trade marks: Trade Marks Act 1994 s 65(1). Provision may in particular be made for the amendment of existing entries on the register to accord with the new classification: s 65(2). The rules may empower the registrar: (1) to require the proprietor of a registered trade mark, within such time as may be prescribed, to file a proposal for amendment of the register; and (2) to cancel or refuse to renew the registration of the trade mark in the event of his failing to do so: s 65(4). Any such proposal must be advertised, and may be opposed, in such manner as may be prescribed: s 65(5). As to the Secretary of State see para 14 et seq; and as to the making of rules generally see para 15 ante.

4 Ibid s 65(3).
5 For the meaning of 'proprietor' see para 22 note 8 ante.
6 Trade Marks Rules 2000, SI 2000/136, r 46(2).
7 Ibid r 46(2)(a).
8 For the meaning of 'publish' see para 17 note 10 ante.
9 Trade Marks Rules 2000, SI 2000/136, r 46(2)(b).
10 Ibid r 46(3).
11 Ibid r 46(4).
12 Ie under ibid r 46: see the text to notes 1–11 supra.
13 Notice must be given on Form TM7. As to the use of forms see para 353 ante.
14 Ie how the proposed amendments would be contrary to the Trade Marks Act 1994 s 65(3): see the text to note 4 supra.
15 Trade Marks Rules 2000, SI 2000/136, r 47(1) (substituted by SI 2004/947).
16 Trade Marks Rules 2000, SI 2000/136, r 47(2).
17 Ibid r 47(3).

393. Alteration of registered trade mark at proprietor's request. A registered trade mark[1] may not be altered in the register[2] during the period of registration or on renewal[3]. Nevertheless the registrar[4] may, at the request of the proprietor[5], allow the alteration of a registered trade mark where the mark includes the proprietor's name or address and the alteration is limited to alteration of that name or address and does not substantially affect the identity[6] of the mark[7].

The proprietor may request the registrar[8] for such alteration of his registered trade mark as is permitted under the above provisions; and the registrar may require evidence by statutory declaration or otherwise as to the circumstances in which the application is made[9].

Where, upon the request of the proprietor, the registrar proposes to allow such alteration, he must publish[10] the mark as altered[11].

Any person claiming to be affected by the alteration may within three months of the date of publication of the mark as altered give notice to the registrar of objection to the alteration[12] which must include a statement of the grounds of objection[13]. The registrar must send a copy of objection to the alteration[14] to the proprietor; and thereafter the procedure relating to opposition proceedings[15] applies with consequent modifications[16].

1 As to the meaning of 'registered trade mark' see para 127 ante.
2 As to the register see para 19 ante.
3 Trade Marks Act 1994 s 44(1). An application under the Trade Marks Act 1938 s 35 (repealed) (alteration of registered trade mark) which was pending on 31 October 1994 must be dealt with under the old law and any necessary alteration made to the new register: Trade Marks Act 1994 s 105, Sch 3 para 16. For the meaning of 'the old law' see para 4 note 3 ante.
4 As to the registrar see para 17 ante.
5 For the meaning of 'proprietor' see para 22 note 8 ante.
6 As to the expression 'not substantially affecting its identity' see para 375 note 2 ante.
7 Trade Marks Act 1994 s 44(2) (which has no counterpart in EEC Council Directive 89/104 (OJ L40, 11.2.89, p 1) to approximate the laws of the member states relating to trade marks).
8 Ie on Form TM25. As to the use of forms see para 353 ante.
9 Trade Marks Act 1994 s 44(3); Trade Marks Rules 2000, SI 2000/136, r 25(1).
10 For the meaning of 'publish' see para 17 note 10 ante.

11 Trade Marks Act 1994 s 44(3); Trade Marks Rules 2000, SI 2000/136 r 25(2).
12 Ie on Form TM7.
13 Trade Marks Act 1994 s 44(3); Trade Marks Rules 2000, SI 2000/136 r 25(3) (substituted by SI 2004/947).
14 Ie on Form TM7.
15 As to the procedure relating to opposition proceedings see para 384 ante.
16 Trade Marks Act 1994 s 44(3); Trade Marks Rules 2000, SI 2000/136 r 25(4) (added by SI 2004/947).

394. Disclaimer or limitation of registered trade mark. The proprietor of a registered trade mark[1] may[2]:

(1) disclaim any right to the exclusive use[3] of any specified element of the trade mark[4]; or

(2) agree that the rights conferred by the registration are to be subject to a specified territorial or other limitation[5].

Disclaimers and limitations can similarly be made in relation to an international trade mark for which protection has been obtained in the United Kingdom[6].

1 For the meaning of 'proprietor' see para 22 note 8 ante; and as to the meaning of 'registered trade mark' see para 127 ante.
2 Trade Marks Act 1994 s 13(1). The applicant for registration of a trade mark may also make disclaimers and limitations: see para 376 ante. As to the making of such disclaimers and limitations see para 83 ante. As to the effect of such disclaimers and limitations on the proprietor's rights see para 98 ante.
3 For the meaning of 'use' see para 60 note 8 ante.
4 Trade Marks Act 1994 s 13(1)(a).
5 Ibid s 13(1)(b).
6 See the Trade Marks (International Registration) Order 1996, SI 1996/714, art 4(4) (amended by SI 2002/692). For the meaning of 'United Kingdom' see para 3 note 2 ante.

(ii) Surrender

395. Procedure. The proprietor[1] may surrender a registered trade mark[2] in respect of some or all of the goods or services for which it is registered by sending[3] notice to the registrar[4]: (1) in respect of all the goods or services for which it is registered[5]; or (2) in respect of only those goods or services specified by him in the notice[6].

Any such notice is, however, of no effect unless the proprietor in that notice: (a) gives the name and address of any person having a registered interest in the mark; and (b) certifies that any such person has been sent not less than three months' notice of the proprietor's intention to surrender the mark or is not affected or, if affected, consents thereto[7].

Upon the surrender taking effect, the registrar must make the appropriate entry in the register[8] and must publish[9] the same[10].

1 For the meaning of 'proprietor' see para 22 note 8 ante.
2 As to the meaning of 'registered trade mark' see para 127 post.
3 For the meaning of 'send' see para 25 note 14 ante.
4 As to the registrar see para 17 ante.
5 Trade Marks Act 1994 s 45(1), (2); Trade Marks Rules 2000, SI 2000/136, r 26(1)(a). Notice under these circumstances must be sent on Form TM22: r 26(1)(a). As to the use of forms see para 353 post.
6 Trade Marks Act 1994 s 45(1), (2); Trade Marks Rules 2000, SI 2000/136, r 26(1)(b). Notice under these circumstances must be sent on Form TM23: r 26(1).
7 Trade Marks Act 1994 s 45(2); Trade Marks Rules 2000, SI 2000/136, r 26(2).
8 As to the register see para 19 ante.
9 For the meaning of 'publish' see para 17 note 10 ante.
10 Trade Marks Act 1994 s 45(2); Trade Marks Rules 2000, SI 2000/136, r 26(3). As to when surrender takes effect see para 113 ante.

(iii) Revocation, Declaration of Invalidity and Rectification

396. Choice of forum. An application for revocation, for a declaration of invalidity or for rectification of the register[1] in relation to a United Kingdom registered trade mark, or an application for revocation or a declaration of invalidity of the protection of a protected international trade mark (UK)[2], may be made by any person[3], and may be made either to the registrar[4] or to the court[5] except that:

(1) if proceedings concerning the trade mark in question are pending in the court, the application must be made to the court[6]; and

(2) if in any other case the application is made to the registrar, he may at any stage of the proceedings refer the application to the court[7].

An applicant must take certain considerations into account in deciding whether to make his application to the registrar or to the court. The procedure before the registrar is significantly cheaper but often slower, not only because registry procedure is relatively relaxed but because the option to appeal as of right makes the possibility of delay greater. In practice disclosure is infrequently sought before the registrar and, where sought, limited. Furthermore, cross-examination is uncommon and, where it does occur, less intense and wide-ranging than in the court. In general, therefore, registry proceedings are appropriate where an amicable settlement is envisaged or where the parties are more or less friendly but desirous of having the position clarified, or where costs are the overriding concern.

1 As to these applications and the circumstances in which they are appropriate see paras 114–121 ante; as to the additional grounds for revocation or invalidity of a collective mark see paras 163–164 ante; and as to the additional grounds for revocation or invalidity of a certification mark see paras 174–175 ante.

2 See the Trade Marks (International Registration) Order 1996, SI 1996/714, art 13 (amended by SI 2000/138; SI 2004/948; SI 2006/763; SI 2006/1080), which applies generally the grounds and procedures relating to revocation and declaration of invalidity of United Kingdom registered trade marks to protected international trade marks (UK). In particular it applies to them the Trade Marks Act 1994 ss 46, 47 (s 47 as amended) (see para 114 et seq ante), and the Trade Marks Rules 2000, SI 2000/136, rr 31–33B (as amended) (see para 398 et seq post). For the meaning of 'protected international trade mark (UK)' see para 13 ante.

3 The applicant does not have to show that he is aggrieved by, or otherwise interested in, the registration: *Pharmedica GmbH's Trade Mark Application* [2000] RPC 536, [2000] All ER (D) 28; cf *Oystertec plc's Patent* [2002] EWHC 2324 (Pat), [2003] RPC 559, sub nom *Oystertec plc v Edward Evans Barker* [2003] IP & T 1015.

4 As to the registrar see para 17 ante. As to procedure on the application before the registrar see para 396 et seq post.

5 Trade Marks Act 1994 s 46(4) (revocation), s 47(3) (declaration of invalidity), s 64(2) (rectification). As from 1 October 2007, so much of s 47(3) as provides that any person may make an application for a declaration of invalidity has effect subject to the Trade Marks (Relative Grounds) Order 2007, SI 2007/1976, art 5 (not yet in force) (see para 119, note 5, 8 ante): art 5(3) (not yet in force). See also the Community Trade Mark Regulations 2006, SI 2006/1027, reg 3(1); and para 288 ante. For the meaning of 'the court' see para 349 ante.

6 Trade Marks Act 1994 ss 46(4)(a), 47(3)(a), 64(2)(a).

7 Ibid ss 46(4)(b), 47(3)(b), 64(2)(b). In practice the registrar seldom exercises the power to refer to the court. If, within one month of receiving notification of the decision to refer, the applicant does not make to the High Court the appropriate application, he is deemed to have abandoned the application: *Practice Direction—Patents and Other Intellectual Property Claims* PD63 para 20.1 This period may be extended by the registrar or the court: para 20.2.

397. 'No challenge' clauses; res judicata. It is not uncommon for parties to enter into agreements which prohibit the making of a challenge to the validity of other parties' trade marks either as terms of trade mark licences[1] or of trade mark delimitation agreements. Whether such an agreement prevents the making of an application for revocation as distinct from an application for a declaration of invalidity depends on the

true construction of the agreement[2]. Such agreements may or may not be unenforceable under Community competition law or under domestic restraint of trade law, depending on the circumstances[3].

If an unsuccessful application for a declaration of invalidity is made the applicant will be precluded by res judicata from making a further application on different grounds, but will not be precluded from applying to revoke the registration; an application for revocation may or may not be an abuse of process depending on the circumstances[4].

1 As to licences see paras 136–137 ante.
2 *Fenchurch Environmental Group Ltd v Ad Tech Holdings Ltd* (O/236/05), Appointed Person.
3 See Case 35/83 *BAT Cigaretten-Fabriken GmbH v EC Commission* [1985] ECR 363, [1985] 2 CMLR 470, ECJ; *Apple Corpn Ltd v Apple Computer Inc* [1991] 3 CMLR 49; *WWF – World Wildlife Fund for Nature v World Wrestling Federation Entertainment Inc* [2002] EWCA Civ 196, [2003] IP & T 98; *Fenchurch Environmental Group Ltd v Ad Tech Holdings Ltd* (O/236/05), Appointed Person; *Fenchurch Environmental Group Ltd v Bactiguard AB* (O/095/07), Trade Marks Registry.
4 *Hormel Foods Corpn v Antilles Landscape Investments NV* [2005] EWHC 13 (Ch), [2005] RPC 657, [2005] IP & T 822.

398. Revocation for non-use. An application to the registrar[1] for revocation for non-use of a trade mark[2] must be made on the appropriate form[3] together with a statement of the grounds on which the application is made[4]. The registrar must send[5] a copy of that form[6] and the statement of grounds to the proprietor[7]. Within three months of the date on which the registrar sends a copy of the form[8] and the statement to the proprietor, the proprietor must file his own form[9] including a counter-statement and either: (1) two copies of evidence of use made of the mark; or (2) reasons for non-use of the mark[10]. Evidence of use of the mark must cover the period of non-use alleged by the applicant or[11] show that the use of the mark commenced or resumed after the end of that period but before the application for revocation was made[12]. Reasons for non-use must cover the period of non-use alleged by the applicant[13]. If the proprietor fails to file the form[14] and evidence of use or reasons for non-use within time, the registrar may treat him as not opposing the application[15].

The registrar must send a copy of the proprietor's form[16] and any evidence of use or reasons for non-use filed by the proprietor to the applicant; and the date on which this is done is the 'initiation date'[17]. The applicant may, within three months of the initiation date, file[18] any evidence he may consider necessary to adduce in support of his application[19]. Where the applicant files no evidence[20], the registrar must notify the proprietor of this[21].

The proprietor may, within the relevant period, file[22] such further evidence as he may consider necessary to adduce in support of his case[23]. The relevant period is:

(a) where the applicant files evidence, the period beginning on the date when that evidence is filed and ending three months after that date;
(b) where the applicant does not file evidence, the period beginning on the date that the registrar sent the proprietor notice of this and ending three months after that date[24].

Where the proprietor files such evidence, the applicant may within three months file[25] evidence in reply; such evidence must be confined to matters strictly in reply to the proprietor's evidence[26].

The registrar may at any time if he thinks fit give leave to either party to file[27] evidence upon such terms as he thinks fit[28].

When the periods for filing evidence have expired, the registrar must request that the parties give written notice of whether they wish to be heard[29]. If any party requests to be heard the registrar must send to the parties notice of a date for the hearing[30].

1 As to the registrar see para 17 ante.

2 Ie under the Trade Marks Act 1994 s 46(1)(a) or (b): see paras 114, 396 ante.
3 Ie Form TM26(N). As to the use of forms see para 353 ante.
4 Trade Marks Rules 2000, SI 2000/136, r 31(1) (r 31 substituted by SI 2004/947). Where the applicant seeks to revoke the registration from a date earlier than the date of the application for revocation, he must set out in the statement of grounds the date as of which revocation is sought and then explicitly allege that grounds for revocation existed at that date: *Omega SA v Omega Engineering Inc* [2003] EWHC 1334 (Ch), [2003] FSR 893. Where the applicant fails to plead his case correctly (e g because he specifies a date for revocation which the registrar has no power to order) the registrar has power in an appropriate case to permit him to amend his statement of grounds without re-commencing the procedure: *BSA BY R2 Trade Mark* (O/144/07), Appointed Person.
5 For the meaning of 'send' see para 25 note 14 ante.
6 Ie Form TM26(N).
7 Trade Marks Rules 2000, SI 2000/136, r 31(2) (as substituted: see note 4 supra). For the meaning of 'proprietor' see para 22 note 8 ante.
8 Ie Form TM26(N).
9 Ie Form TM8. For the meaning of references to 'filing' see para 25 note 2 ante. As to the filing of documents by electronic means see para 354 ante.
10 Trade Marks Rules 2000, SI 2000/136, r 31(3) (as substituted: see note 4 supra). The time limit laid down by r 31(3) (as substituted) cannot be extended: see r 68(3) (as amended); and para 356 ante. The proprietor may comply with r 31(3) (as substituted) if he files evidence within the time limit even if it is technically inadmissible for failure to comply with r 55 (see para 359 ante): *Argentum Ltd v Middlesex Silver Co Ltd* [2005] EWHC 2992 (Ch), sub nom *ARGENTUM Trade Mark* [2006] RPC 509. The proprietor cannot satisfy the Trade Marks Rules 2000, SI 2000/136, r 31(3) (as substituted) by filing evidence consisting of a bare assertion of use of the mark; the evidence must provide a sufficient explanation of how the mark has been used to enable the registrar to conclude that the proprietor has an arguable defence to the application for revocation. The evidence does not, however, have to be so persuasive that, if unanswered, it would necessarily discharge the burden of proof lying on the proprietor: *Almighty Marketing Ltd v Milk Link Ltd* [2005] EWHC 2584 (Ch), sub nom *MOO JUICE Trade Mark* [2006] RPC 501; *BSA BY R2 Trade Mark* (O/144/07) Appointed Person.
11 Where the proprietor intends to rely upon the Trade Marks Act 1994 s 46(3): see para 114 ante.
12 Trade Marks Rules 2000, SI 2000/136, r 31(4) (as substituted: see note 4 supra).
13 Ibid r 31(5) (as substituted: see note 4 supra).
14 Ie Form TM8.
15 Trade Marks Rules 2000, SI 2000/136, r 31(3) (as substituted: see note 4 supra). As to the exercise of the registrar's discretion if the proprietor files the documents late see *Lowden v Lowden Guitar Co Ltd* [2004] EWHC 2531 (Ch), sub nom *LOWDEN Trade Mark* [2005] RPC 377; *Music Choice Ltd v Target Brands Inc* [2005] EWHC 3323 (Ch), sub nom *Music Choice Ltd's Trade Mark* [2006] RPC 358; *Argentum Ltd v Middlesex Silver Co Ltd* [2005] EWHC 2992 (Ch), sub nom *ARGENTUM Trade Mark* [2006] RPC 509. The registrar must give the proprietor a hearing as required by the Trade Marks Rules 2000, SI 2000/136, r 54 (see para 358 ante) before exercising his discretion: *MOVIESTAR Trade Mark* [2005] RPC 623, Appointed Person.
16 Ie Form TM8.
17 Trade Marks Rules 2000, SI 2000/136, r 31(6) (as substituted: see note 4 supra).
18 For these purposes, evidence is only considered filed when it had been received by the registrar accompanied by Form TM54 and it has been sent to all other parties to the proceedings: ibid r 31A(7) (r 31A added by SI 2004/947).
19 Trade Marks Rules 2000, SI 2000/136, r 31A(1) (as substituted: see note 18 supra).
20 The applicant may well not need to file any evidence, since the burden of showing what use has been made of the mark lies upon the proprietor: see the Trade Marks Act 1994 s 100; and para 114 ante.
21 Trade Marks Rules 2000, SI 2000/136, r 31A(2) (as added: see note 18 supra).
22 See note 18 supra.
23 Trade Marks Rules 2000, SI 2000/136, r 31A(3) (as added: see note 18 supra). The proprietor may not need to file any further evidence if he has filed sufficient evidence under r 31(3) (as substituted): see the text to notes 8–10 supra.
24 Ibid r 31A(4) (as added: see note 18 supra).
25 See note 18 supra.
26 Trade Marks Rules 2000, SI 2000/136, r 31A(5) (as added: see note 18 supra). As to what constitutes 'matters strictly in reply' see para 384 note 63 ante.
27 See note 18 supra.
28 Trade Marks Rules 2000, SI 2000/136, r 31A(6) (as added: see note 18 supra).
29 Ibid r 31A(8) (as added: see note 18 supra).
30 Ibid r 31A(9) (as added: see note 18 supra).

399. Revocation for grounds other than non-use. An application to the registrar[1] for revocation on grounds other than non-use[2] must be made on the appropriate form[3] together with a statement of the grounds on which the application is made[4]. The registrar must send[5] a copy of the form[6] and the statement of grounds to the proprietor[7]. Within six weeks of the date on which the registrar sends a copy of the form[8] and the statement to the proprietor, the proprietor must file his own form[9] including a counter-statement[10]. If the proprietor fails to file the necessary form[11] within that time, the registrar may treat him as not opposing the application[12].

The registrar must send a copy of the form[13] to the applicant; and the date on which this is done is the 'initiation date'[14]. The applicant must, within six weeks of the initiation date, file[15] any evidence he may consider necessary to adduce in support of his application[16]. If the applicant files no evidence he is, unless the registrar otherwise directs, deemed to have withdrawn his application[17]. The registrar must notify the proprietor of any such direction[18].

The proprietor may, within six weeks of the applicant's evidence being filed or the registrar sending him notification of a direction to permit the applicant to proceed without evidence, file[19] any evidence he may consider necessary to adduce in support of his case[20].

Where the proprietor files such evidence, the applicant may within six weeks file[21] evidence in reply; such evidence must be confined to matters strictly in reply to the proprietor's evidence[22].

The registrar may at any time if he thinks fit give leave to either party to file[23] evidence upon such terms as he thinks fit[24].

When the periods for filing evidence have expired, the registrar must request that the parties give written notice of whether they wish to be heard[25]. If any party requests to be heard the registrar must send to the parties notice of a date for the hearing[26].

1 As to the registrar see para 17 ante.

2 Ie under the Trade Marks Act 1994 s 46(1)(c) or s 46(1)(d): see paras 115–116, 396 ante.

3 Ie Form TM26(O). As to the use of forms see para 353 ante.

4 Trade Marks Rules 2000, SI 2000/136, r 32(1) (r 32 substituted by SI 2004/947).

5 For the meaning of 'send' see para 25 note 14 ante.

6 Ie Form TM26(O).

7 Trade Marks Rules 2000, SI 2000/136, r 32(2) (as substituted: see note 4 supra). For the meaning of 'proprietor' see para 22 note 8 ante.

8 Ie Form TM26(O).

9 Ie Form TM8. For the meaning of references to 'filing' see para 25 note 2 ante. As to the filing of documents by electronic means see para 354 ante.

10 Trade Marks Rules 2000, SI 2000/136, r 32(3) (as substituted: see note 4 supra). The time limit laid down by r 32(3) (as substituted) cannot be extended: see r 68(3) (as amended); and para 356 ante.

11 Ie Form TM8.

12 Trade Marks Rules 2000, SI 2000/136, r 32(3) (as substituted: see note 4 supra). As to the exercise of the registrar's discretion if the proprietor files the Form TM8 late see *Lowden v Lowden Guitar Co Ltd* [2004] EWHC 2531 (Ch), sub nom *LOWDEN Trade Mark* [2005] RPC 377; *Music Choice Ltd v Target Brands Inc* [2005] EWHC 3323 (Ch), sub nom *Music Choice Ltd's Trade Mark* [2006] RPC 358; *Argentum Ltd v Middlesex Silver Co Ltd* [2005] EWHC 2992 (Ch), sub nom *ARGENTUM Trade Mark* [2006] RPC 509. The registrar must give the proprietor a hearing as required by the Trade Marks Rules 2000, SI 2000/136, r 54 (see para 358 ante) before exercising his discretion: *MOVIESTAR Trade Mark* [2005] RPC 623, Appointed Person.

13 Ie Form TM8.

14 Trade Marks Rules 2000, SI 2000/136, r 32(4) (as substituted: see note 4 supra).

15 For these purposes, evidence is only considered filed when it had been received by the registrar accompanied by Form TM54 and it has been sent to all other parties to the proceedings: ibid r 32A(7) (r 32A substituted by SI 2004/947).

16 Trade Marks Rules 2000, SI 2000/136, r 32A(1) (as substituted: see note 15 supra).

17 Ibid r 32A(2) (as substituted: see note 15 supra). It is difficult to envisage circumstances in which the registrar's discretion should be exercised in favour of the applicant unless the proprietor has admitted all the facts on which the application is based.
18 Ibid r 32A(3) (as substituted: see note 15 supra).
19 See note 15 supra.
20 Trade Marks Rules 2000, SI 2000/136, r 32A(4) (as substituted: see note 15 supra).
21 See note 15 supra.
22 Trade Marks Rules 2000, SI 2000/136, r 32A(5) (as substituted: see note 15 supra). As to what constitutes 'matters strictly in reply' see para 384 note 63 ante.
23 See note 15 supra.
24 Trade Marks Rules 2000, SI 2000/136, r 32A(6) (as substituted: see note 15 supra).
25 Ibid r 32A(8) (as substituted: see note 15 supra).
26 Ibid r 32A(9) (as substituted: see note 15 supra).

400. Application for declaration of invalidity. An application to the registrar[1] for a declaration of invalidity[2] must be made on the appropriate form[3] together with a statement of the grounds on which the application is made[4]. Where the application is based on an earlier trade mark[5], the statement of grounds must include a representation of that mark, details of the authority with which that mark is registered or has been applied for, the registration or application number of that mark, the classes[6] in respect of which that mark is registered or has been applied for, and the goods and services in respect of which that mark is registered and in respect of which the application is based[7]. In addition, where the earlier trade mark has been registered and neither of the relevant conditions applies[8], the statement of grounds must include a statement detailing whether during the relevant period[9] the mark has been put to genuine use in relation to each of the goods and services in respect of which the opposition is based or whether there are proper reasons for non-use[10] (a 'statement of use')[11]. Where the application is based on an unregistered trade mark or other sign which the opponent claims to be protected by virtue of any rule of law (in particular the law of passing off)[12], the statement of grounds must include a representation of that mark or sign and the goods or services in respect of which such protection is claimed[13].

The registrar must send[14] a copy of the form[15] and the statement of grounds to the proprietor[16]. Within six weeks of the date on which the registrar sends a copy of the form[17] and the statement to the proprietor, the proprietor must file his own form[18] including a counter-statement[19]. If the proprietor fails to file such a form[20] within that time, the registrar may treat him as not opposing the application[21].

The registrar must send a copy of the form[22] to the applicant; and the date on which this is done is the 'initiation date'[23]. The applicant must, within six weeks of the initiation date, file[24] any evidence he may consider necessary to adduce in support of his application[25]. Where the application is based on an earlier trade mark, neither of the relevant conditions applies[26], and the applicant or holder has either denied or not admitted the truth of a matter set out in the statement of use, then the opponent must also file[27] evidence supporting the statement of use[28]. Where the applicant files no evidence he is, unless the registrar otherwise directs, deemed to have withdrawn his application[29]. The registrar must notify the proprietor of any such direction[30].

The proprietor may, within six weeks of the applicant's evidence being filed or the registrar sending him notification of a direction to permit the applicant to proceed without evidence, file[31] such evidence as he may consider necessary to adduce in support of his case[32].

Where the proprietor files such evidence, the applicant may within six weeks file[33] evidence in reply; such evidence must be confined to matters strictly in reply to the proprietor's evidence[34].

The registrar may at any time if he thinks fit give leave to either party to file[35] evidence upon such terms as he thinks fit[36].

When the periods for filing evidence have expired, the registrar must request that the parties give written notice of whether they wish to be heard[37]. If any party requests to be heard the registrar must send to the parties notice of a date for the hearing[38].

1 As to the registrar see para 17 ante.
2 Ie under the Trade Marks Act 1994 s 47(1): see paras 118, 396 ante.
3 Ie on Form TM26(I). As to the use of forms see para 353 ante.
4 Trade Marks Rules 2000, SI 2000/136, r 33(1) (r 33 substituted by SI 2004/947).
5 For the meaning of 'earlier trade mark' see para 70 ante. The applicant need not be the proprietor of the earlier trade mark relied upon (*BALMORAL Trade Mark* [1999] RPC 297, Appointed Person) unless the Trade Marks Act 1994 s 60(3) applies (see para 154 ante). If it is registered the earlier trade mark must be presumed to be validly registered unless the applicant brings separate proceedings to challenge that registration: see s 72; and para 110 ante.
6 As to classification of goods and services see para 369 et seq ante.
7 Trade Marks Rules 2000, SI 2000/136, r 33(2)(a)–(d), (3) (as substituted: see note 4 supra).
8 Ie the conditions specified in the Trade Marks Act 1994 s 47(2A)(a) or (b) (as added): see para 119 ante.
9 Ie the period specified in ibid s 47(2B)(a) (as added): see para 119 ante.
10 As to genuine use and proper reasons for non-use see para 114 ante.
11 Trade Marks Rules 2000, SI 2000/136, r 33(2)(e) (as substituted: see note 4 supra).
12 As to reliance upon such earlier rights see para 77 ante. The opponent need not be the proprietor of the earlier right relied upon: *WILD CHILD Trade Mark* [1998] RPC 455, Appointed Person.
13 Trade Marks Rules 2000, SI 2000/136, r 33(4) (as substituted: see note 4 supra).
14 For the meaning of 'send' see para 25 note 14 ante.
15 Ie Form TM26(I).
16 Trade Marks Rules 2000, SI 2000/136, r 33(5) (as substituted: see note 4 supra). For the meaning of 'proprietor' see para 22 note 8 ante.
17 Ie Form TM26(I).
18 Ie Form TM8. For the meaning of references to 'filing' see para 25 note 2 ante. As to the filing of documents by electronic means see para 354 ante.
19 Trade Marks Rules 2000, SI 2000/136, r 33(6) (as substituted: see note 4 supra).
20 Ie Form TM8.
21 Trade Marks Rules 2000, SI 2000/136, r 33(6) (as substituted: see note 4 supra). As to the exercise of the registrar's discretion if the proprietor files the Form TM8 late see *Lowden v Lowden Guitar Co Ltd* [2004] EWHC 2531 (Ch), sub nom *LOWDEN Trade Mark* [2005] RPC 377; *Music Choice Ltd v Target Brands Inc* [2005] EWHC 3323 (Ch), sub nom *Music Choice Ltd's Trade Mark* [2006] RPC 358; *Argentum Ltd v Middlesex Silver Co Ltd* [2005] EWHC 2992 (Ch), sub nom *ARGENTUM Trade Mark* [2006] RPC 509. The registrar must give the proprietor a hearing as required by the Trade Marks Rules 2000, SI 2000/136, r 54 (see para 358 ante) before exercising his discretion: *MOVIESTAR Trade Mark* [2005] RPC 623, Appointed Person.
22 Ie Form TM8.
23 Trade Marks Rules 2000, SI 2000/136, r 33(7) (as substituted: see note 4 supra).
24 For these purposes, evidence is only considered filed when it had been received by the registrar accompanied by Form TM54 and it has been sent to all other parties to the proceedings: ibid r 33A(7) (r 33A added by SI 2004/947).
25 Trade Marks Rules 2000, SI 2000/136, r 33A(1)(a) (as added: see note 24 supra).
26 See note 8 supra.
27 See note 24 supra.
28 Trade Marks Rules 2000, SI 2000/136, r 33A(1)(b) (as added: see note 24 supra).
29 Ibid r 33A(2) (as added: see note 24 supra). As to the exercise of the registrar's discretion see para 384 note 58 ante.
30 Ibid r 33A(3) (as added: see note 24 supra).
31 See note 24 supra.
32 Trade Marks Rules 2000, SI 2000/136, r 33A(4) (as added: see note 24 supra).
33 See note 24 supra.
34 Trade Marks Rules 2000, SI 2000/136, r 33A(5) (as added: see note 24 supra). As to what constitutes 'matters strictly in reply' see para 384 note 63 ante.
35 See note 24 supra.
36 Trade Marks Rules 2000, SI 2000/136, r 33A(6) (as added: see note 24 supra).
37 Ibid r 33A(8) (as added: see note 24 supra).
38 Ibid r 33A(9) (as added: see note 24 supra).

401. Application for rectification of the register. An application to the registrar[1] for rectification of an error or omission in the register[2] must be made on the appropriate form[3] together with a statement of the grounds on which the application is made and any evidence in support of those grounds[4]. Where the application is made by a person other than the proprietor[5], the registrar must send[6] a copy of the application, statement and any evidence filed to the proprietor, and may give such direction as he thinks fit with regard to the filing of subsequent evidence upon such terms as he thinks fit[7]. Such a direction may include a requirement that evidence is only to be considered filed when it has been received by the registrar accompanied by the relevant form[8] and it has been sent to all other parties to the application[9].

When the periods for filing evidence specified in such directions have expired, the registrar must request the parties to state by notice to him in writing whether they wish to be heard; if any party requests to be heard the registrar must send to the parties notice of a date for the hearing[10].

1 As to the registrar see para 17 ante.
2 Ie under the Trade Marks Act 1994 s 64(1): see para 121 ante.
3 Ie Form TM26(R). As to the use of forms see para 353 ante.
4 Trade Marks Rules 2000, SI 2000/136, r 34(1).
5 For the meaning of 'proprietor' see para 22 note 8 ante.
6 For the meaning of 'send' see para 25 note 14 ante.
7 Trade Marks Rules 2000, SI 2000/136, r 34(2).
8 Ie Form TM54.
9 Trade Marks Rules 2000, SI 2000/136, r 34(2A) (added by SI 2004/947).
10 Trade Marks Rules 2000, SI 2000/136, r 34(3) (amended by SI 2004/947).

402. Interveners. Any person, other than the registered proprietor[1], claiming to have an interest[2] in proceedings on an application to the registrar[3] for revocation or for a declaration of invalidity or for rectification may file an application to the registrar[4] for leave to intervene, stating the nature of his interest; and the registrar may, after hearing the parties concerned if so required, refuse such leave or grant leave upon such terms or conditions, including any undertaking as to costs, as he thinks fit[5].

1 For the meaning of 'proprietor' see para 22 note 8 ante.
2 See *Gardinol Chemical Co Ltd's Application* (1948) 65 RPC 455; *Silexine Paints Ltd's Application* (1953) 71 RPC 91.
3 As to the registrar see para 17 ante.
4 Ie on Form TM27. As to the use of forms see para 353 ante. For the meaning of references to 'filing' see para 25 note 2 ante. As to the filing of documents by electronic means see para 354 ante.
5 Trade Marks Rules 2000, SI 2000/136, r 35(1). Any person granted leave to intervene ('the intervener') is treated, subject to the terms and conditions imposed in respect of the intervention, as a party for the purposes of the application of the provisions of rr 31–31B (as amended), rr 32–32B (as amended), rr 33–33B (as amended) or r 34 (as substituted) as appropriate (see paras 398–401 ante) to the proceedings on such an application: r 35(2) (amended by SI 2004/947).

403. Notification of decision. When the registrar[1] has made a decision on an application to him for revocation or for a declaration of invalidity or for rectification following any opposition, intervention or proceedings duly held[2], he must send the parties[3] to the proceedings written notice of it, stating the reasons for his decision[4]; and for the purposes of any appeal against the registrar's decision the date when the notice of the decision is sent is taken to be the date of the decision[5].

1 As to the registrar see para 17 ante.
2 Ie held in accordance with the Trade Marks Rules 2000, SI 2000/136, rr 31–31B (as amended), rr 32–32A (as amended), rr 33–33A (as amended) or r 34 (as substituted): see paras 398–401 ante.
3 This includes interveners: see para 402 ante.
4 Trade Marks Rules 2000, SI 2000/136, rr 31B(1), 32B(1), 33B(1), 34(4) (rr 31B, 32B, 33B added, and r 34 substituted, by SI 2004/947).

5 Trade Marks Rules 2000, SI 2000/136, rr 31B(2), 32B(2), 33B(2), 34(4) (rr 31B, 32B, 33B as added, and r 34 as substituted: see note 4 supra).

(4) APPEALS FROM THE REGISTRAR

(i) Right of Appeal

404. Registrar's decision. When, in any proceedings before him[1], the registrar[2] has made a decision, he must send[3] notice of his decision in writing to each party to the proceedings; and, for the purpose of any appeal against the registrar's decision, the date of the decision is the date when the notice is sent[4]. Where, however, a statement of the reasons for the decision is not included in the notice so sent, any party may, within one month of the date on which the notice was sent to him, request the registrar[5] to send him a statement of the reasons for the decision and upon such request the registrar must send such a statement; and the date on which that statement is sent is deemed to be the date of the registrar's decision for the purpose of any appeal against it[6].

1 As to the procedural powers of the registrar see para 358 et seq ante.
2 As to the registrar see para 17 ante.
3 For the meaning of 'send' see para 25 note 14 ante.
4 Trade Marks Rules 2000, SI 2000/136, r 62(1). Where the registrar has issued a reasoned decision the decision is final and the registrar has no power to reconsider it save in exceptional circumstances: *Andreas Stihl AG & Co's Trade Mark Application* [2001] RPC 215, Appointed Person; *Hyde's Trade Mark Application (No 2)* (O/333/05), Appointed Person.
5 Ie on Form TM5. As to the use of forms see para 353 ante.
6 Trade Mark Rules 2000, SI 2000/136, r 62(2). As to appeals from decisions of the registrar, including acts of the registrar in exercise of a discretion, see para 405 et seq post. The registrar's practice is to give interim decisions orally and/or by letter. Even if these contain outline reasons, the registrar will issue a formal decision containing full reasons upon receipt of Form TM5. It is not clear whether the registrar has power to reconsider his decision between giving notice of the decision and giving his full reasons.

405. Choice of forum. An appeal lies from any decision[1] of the registrar under the Trade Marks Act 1994, except as otherwise expressly provided by rules[2]. The registrar's practice is to treat the filing of an appeal as suspensive of the decision under appeal[3].

Any such appeal may be brought either to an appointed person[4] or to the court[5]. Subject only to the appointed person's power to refer the appeal to the court[6], the appellant may bring the appeal before the tribunal of his choice. The appointed person is a specialist tribunal which is intended to provide a more informal, speedier and cheaper forum[7]. Thus there are no restrictions on rights of audience and the usual practice of the appointed persons is not to award costs in ex parte appeals[8] and, like the registrar[9], only to make modest awards of costs in inter partes appeals. On an appeal to the court there is a further right of appeal in the ordinary way[10]. Where an appeal is made to an appointed person and he does not refer it to the court, he must hear and determine the appeal and his decision is final[11]. However, such a decision will doubtless be open to attack by way of judicial review in case of error of law[12].

1 For these purposes, 'decision' includes any act of the registrar in exercise of a discretion vested in him by or under the Trade Marks Act 1994: s 76(1). As to the registrar see para 17 ante; and as to his decision see para 404 ante.
2 Ibid s 76(1). The only matters in respect of which the Trade Marks Rules 2000, SI 2000/136 (as amended) exclude appeals and render the decision of the registrar final are matters involving a change of classification (see rr 46(4), 47(3); and para 392 ante) which are consistent with the Trade Marks Act 1994 s 34(2) (see para 369 ante) and a decision to make a filed document or part of it confidential (see the Trade Marks Rules 2000, SI 2000/136, r 50(5); and para 25 ante).
3 *Nettec Solutions Ltd's Trade Mark Application* [2003] RPC 308, Appointed Person.
4 For the meaning of 'appointed person' see para 406 post. As to the procedure on appeals to the appointed person see para 407 post. The provisions of the Trade Marks Act 1994 s 76 in effect widen the former

system under which essentially only certain disputes between a party and the registrar could optionally be appealed to the Secretary of State (see eg the Trade Marks Act 1938 s 17(4) (repealed)). As to the Secretary of State see para 14 ante.

5 Trade Marks Act 1994 s 76(2). For the purposes of appeals in England and Wales 'the court' means the High Court: s 76(6) (added by the High Court and County Courts Jurisdiction (Amendment) Order 2005, SI 2005/587, art 4(1), (3)).

6 See the Trade Marks Act 1994 s 76(3): and para 408 ante.

7 See *AJ & MA Levy's Trade Mark (No 2)* [1999] RPC 358, Appointed Person; *ACADEMY Trade Mark* [2000] RPC 35, Appointed Person.

8 *AD2000 Trade Mark* [1997] RPC 168, Appointed Person; cf *SM Jaleel & Co Ltd's Trade Mark Application* [2000] RPC 471, Appointed Person. Ex parte appeals are those in disputes between an applicant and the registrar.

9 See para 360 ante.

10 As to appeals to the Court of Appeal generally see PRACTICE AND PROCEDURE vol 37 (Reissue) para 1540 et seq.

11 See the Trade Marks Act 1994 s 76(4); and para 407 post.

12 *Hyde's Trade Mark Application (No 2)* (O/333/05), Appointed Person.

(ii) Appeals to the Appointed Person

406. Persons appointed to hear and determine appeals. An 'appointed person' means[1] a person appointed by the Lord Chancellor to hear and decide appeals under the Trade Marks Act 1994[2]. A person is not eligible for such appointment unless: (1) he has a seven-year general qualification[3]; (2) he is an advocate or solicitor in Scotland of at least seven years' standing[4]; (3) he is a member of the Bar of Northern Ireland or solicitor of the Supreme Court of Northern Ireland of at least seven years' standing[5]; or (4) he has held judicial office[6].

An appointed person holds and must vacate office in accordance with his terms of appointment, subject to the following[7]:

(a) there must be paid to him such remuneration (whether by way of salary or fees), and such allowances, as the Secretary of State[8] with the approval of the Treasury may determine[9];

(b) he may resign his office by notice in writing to the Lord Chancellor[10];

(c) the Lord Chancellor may by notice in writing remove him from office if he has become bankrupt or made an arrangement with his creditors or, in Scotland, his estate has been sequestrated or he has executed a trust deed for his creditors or entered into a composition contract; or if he is incapacitated by physical or mental illness; or if he is in the opinion of the Lord Chancellor otherwise unable or unfit to perform his duties as an appointed person[11].

The Lord Chancellor must consult the Secretary of State before exercising his powers under the above provisions[12]. He may only remove an appointed person from office with the concurrence of the appropriate senior judge[13].

1 Ie for the purposes of the Trade Marks Act 1994 s 76: see paras 405 ante, 407–408 post.

2 Ibid s 77(1). A person so appointed is disqualified for membership of the House of Commons: see the House of Commons Disqualification Act 1975 s 1(1)(f), Sch 1 Pt III (amended by the Trade Marks Act 1994 s 106(1), Sch 4 para 6). In practice the persons so appointed are selected from lawyers experienced in trade mark matters.

3 Trade Marks Act 1994 s 77(2)(a). As to the qualification see the Courts and Legal Services Act 1990 s 71 (as amended); and SOLICITORS vol 44(1) (Reissue) para 91.

4 Trade Marks Act 1994 s 77(2)(b).

5 Ibid s 77(2)(c). As from a day to be appointed this provision is amended so as to refer to a member of the Bar of Northern Ireland or solicitor of the Court of Judicature: s 77(3)(c) (prospectively amended by the Constitutional Reform Act 2005 s 59(5), Sch 11 Pt 3 para 5). At the date at which this volume states the law no such day had been appointed.

6 Trade Marks Act 1994 s 77(2)(d).

7 Ibid s 77(3).

8 As to the Secretary of State see para 14 ante.

9 Trade Marks Act 1994 s 77(3)(a). As to the Treasury see CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) para 512 et seq.
10 Ibid s 77(3)(b).
11 Ibid s 77(3)(c).
12 Ibid s 77(4) (amended by virtue of the Transfer of Functions (Lord Advocate and Secretary of State) Order 1999, SI 1999/678, art 2(1), Schedule).
13 Trade Marks Act 1994 s 77(5) (added by the Constitutional Reform Act 2005 s 15(1), Sch 4 para 238). The appropriate senior judge is the Lord Chief Justice of England and Wales unless the person to be removed exercises functions wholly or mainly in Scotland (in which case it is the Lord President of the Court of Session) or in Northern Ireland (in which case it is the Lord Chief Justice of Northern Ireland): Trade Marks Act 1994 s 77(6) (as so added).

407. Procedure on appeal to appointed person. Notice of appeal to the appointed person[1] must be filed on the appropriate form[2] which must include the appellant's grounds of appeal and his case in support of the appeal[3]. The notice must be filed with the registrar[4] within the period of 28 days beginning on the date of the registrar's decision[5] which is the subject of the appeal[6]. The registrar must send[7] the notice and statement to the appointed person[8]. Where any person other than the appellant was a party to the proceedings before the registrar in which the decision appealed against was made, the registrar must send to that person a copy of the notice and the statement[9].

Where an appeal is made to an appointed person and he does not refer it to the court[10], he must send written notice of the time and place appointed for the oral hearing of the appeal[11]:

(1) where no person other than the appellant was a party to the proceedings in which the decision appealed against was made, to the registrar and to the appellant[12]; and
(2) in any other case, to the registrar[13] and to each person who was a party to those proceedings[14].

The notice must be sent at least 14 days before time appointed for the oral hearing[15]. If all the persons notified inform the appointed person that they do not wish to make oral representations, the appointed person may hear and determine the case on the basis of any written representations and the oral hearing may be vacated[16].

The appointed person has the same powers in relation to costs, security for costs and evidence as the registrar[17]. He also has an inherent power to regulate procedure before him[18]; and this includes power to allow amendment to the grounds of appeal before him, even at a late stage[19].

The appointed person must hear and determine the appeal[20], and his decision is final[21]. He must send a copy of his decision, with a statement of his reasons for it, to the registrar and to each person who was a party to the proceedings before him[22].

1 Ie the person appointed under the Trade Marks Act 1994 s 76: see para 405 ante. For the meaning of 'appointed person' see para 406 ante.
2 Ie Form TM55. As to the use of forms see para 353 ante. For the meaning of references to 'filing' see para 25 note 2 ante. As to the filing of documents by electronic means see para 354 ante.
3 Trade Marks Rules 2000, SI 2000/136, r 63(1) (substituted by SI 2004/947). Neither prolixity nor formality are required in the statement of case; it should outline each of the grounds of appeal relied upon and state the case relied upon in support of those grounds. It is not acceptable to reserve the right to elaborate further unidentified arguments at the hearing of the appeal: *COFFEEMIX Trade Mark* [1998] RPC 717, Appointed Person.
4 As to the registrar see para 17 ante.
5 As to the registrar's decision see para 404 ante.
6 Trade Marks Rules 2000, SI 2000/136, r 63(1A) (added by SI 2004/947).
7 For the meaning of 'send' see para 25 note 14 ante.
8 Trade Marks Rules 2000, SI 2000/136, r 63(2).
9 Ibid r 63(3). The rules do not provide for the service of a respondent's notice if the respondent wishes to contend that the registrar's decision should be upheld for additional or alternative reasons, but

nevertheless the appointed person can permit one to be served and it is good practice to do so: *ACADEMY Trade Mark* [2000] RPC 35, Appointed Person; *Mustafov's Trade Mark Application* (O/218/05), Appointed Person. It is unclear whether the appointed person has power to permit the respondent to cross-appeal by way of respondent's notice: *EXTREME Trade Mark* (O/161/07), Appointed Person.

10 As to the referral of questions to the court see the Trade Marks Act 1994 s 76(3); and para 408 post. For the meaning of 'the court' see para 405 note 5 ante.

11 Trade Marks Rules 2000, SI 2000/136, r 65(1) (r 65 substituted by SI 2004/947).

12 Trade Marks Rules 2000, SI 2000/136, r 65(1)(a) (as substituted: see note 11 supra).

13 This enables the registrar to appear if he so wishes in appeals which involve parties opposed to each other. He appears not so much as an adversary to the appellant but with a view to commenting on matters of trade mark law and other matters affecting the registry: *CORGI Trade Mark* [1999] RPC 549, Appointed Person.

14 Trade Marks Rules 2000, SI 2000/136, r 65(1)(b) (as substituted: see note 11 supra).

15 Ibid r 65(2) (as substituted: see note 11 supra).

16 Ibid r 65(3) (as substituted: see note 11 supra).

17 Trade Marks Act 1994 s 76(5), applying ss 68–69 (see paras 358–360 ante). The Trade Marks Rules 2000, SI 2000/136, r 55 (see para 359 ante), r 56 (see para 359 ante), r 57 (see para 359 ante), r 58 (as amended) (see para 358 ante), r 60 (see para 360 ante) and r 61 (see para 360 ante) apply to the appointed person and to proceedings before him as they apply to the registrar and to proceedings before the registrar: r 65(4) (as substituted: see note 11 supra). If there is an oral hearing r 59 (see para 358 ante) applies: r 65(5) (as so substituted).

18 *ACADEMY Trade Mark* [2000] RPC 35, Appointed Person; *Pharmedica GmbH's Trade Mark Application* [2000] RPC 536, [2000] All ER (D) 28.

19 *COFFEEMIX Trade Mark* [1998] RPC 717, Appointed Person.

20 CPR 52.11 does not apply to appeals to the appointed person, but the appointed person adopts the same approach of treating appeals as limited to a review of the registrar's decision unless justice requires a re-hearing: *ROYAL ENFIELD Trade Marks* [2002] RPC 508, Appointed Person. Accordingly, the appointed person applies the same principles as the court (as to which see para 414 post). See also para 409 et seq post.

21 Trade Marks Act 1994 s 76(4). The appointed person may only re-consider his decision in exceptional circumstances: *Hyde's Trade Mark Application (No 2)* (O/333/05), Appointed Person. It appears that in principle the appointed person is amenable to judicial review.

22 Trade Marks Rules 2000, SI 2000/136, r 65(6) (as substituted: see note 11 supra).

408. Transfer to the court of an appeal to appointed person. Where an appeal is made to an appointed person[1], he may refer the appeal to the court[2] if:

(1) it appears to him that a point of general legal importance is involved[3];

(2) the registrar[4] requests that it be so referred[5]; or

(3) such a request is made by any party to the proceedings before the registrar in which the decision appealed against was made[6].

Before doing so the appointed person must give the appellant and any other party to the appeal an opportunity to make representations as to whether the appeal should be referred to the court[7].

In any case where it appears to the appointed person that a point of general legal importance is involved in the appeal, he must send[8] to the registrar and to every party to the proceedings in which the decision appealed against was made notice thereof[9]; and, within 28 days of the date on which a notice is so sent, the person to whom it was sent may make representations as to whether the appeal should be referred to the court[10].

Any request made under head (2) or head (3) above must be made within 28 days of the date on which the notice of appeal is sent[11] by the registrar[12]; and a request under head (3) above must be sent to the registrar who must send it to the appointed person and send a copy of the request to any other party to the proceedings[13]. Where the registrar so requests that the appeal be referred to the court, he must send a copy of the request to each party to the proceedings[14]. Within 28 days of the date on which a copy of a request is sent[15] by the registrar, the person to whom it is sent may make representations as to whether the appeal should be referred to the court[16].

Where the appointed person refers an appeal to the Chancery Division of the High Court, the appeal must be brought within 14 days of the reference[17].

1 For the meaning of 'appointed person' see para 406 ante.
2 Trade Marks Act 1994 s 76(3). The power to refer appeals to the High Court should be used sparingly and in the absence of a point of legal importance should be very rare. In addition to points of legal importance, considerations to be taken into account are the views of the parties, the expense involved and the public interest: *ACADEMY Trade Mark* [2000] RPC 35, Appointed Person. The need for authoritative guidance on a point of law, particularly if a request for referral is supported by the registrar and one of the parties, can outweigh the additional expense: *AJ & MA Levy's Trade Mark (No 2)* [1999] RPC 358, Appointed Person. For the meaning of 'the court' in this context see para 405 note 5 ante.
3 Trade Marks Act 1994 s 76(3)(a). See also note 2 supra.
4 As to the registrar see para 17 ante.
5 Trade Marks Act 1994 s 76(3)(b).
6 Ibid s 76(3)(c).
7 Ibid s 76(3). See also note 2 supra.
8 For the meaning of 'send' see para 25 note 14 ante.
9 Trade Marks Rules 2000, SI 2000/136, r 64(5). See also note 2 supra.
10 Ibid r 64(6). See also note 2 supra.
11 Ie under ibid r 63(3): see para 407 ante.
12 Ibid r 64(1).
13 Ibid r 64(3).
14 Ibid r 64(2).
15 Ie under ibid r 64(2) or r 64(3): see the text and notes 13–14 supra.
16 Ibid r 64(4).
17 *Practice Direction—Patents and Other Intellectual Property Claims* PD63 para 28.1(1).

(iii) Appeals to the High Court

A. BRINGING OF APPEAL

409. In general. In England and Wales appeals to the court[1] are assigned to Chancery Division of the High Court[2]. Such appeals are subject to the ordinary procedural rules applying to appeals[3]. Where they require a document to be served, it must also be served on the registrar[4]. The appellant's notice must be served within 28 days after the date of the registrar's decision the subject of the appeal[5] or (if later) the date on which the appellant receives the registrar's statement of reasons[6].

1 As to the meaning of 'the court' in this context see para 405 note 5 ante
2 CPR 63.17(2).
3 Ie those under CPR Pt 52: CPR 63.17(1).
4 CPR 63.17(3).
5 *Practice Direction—Appeals* PD52 para 17.3. See also Tribunal Practice Notice (TPN 1/2003). Tribunal Practice Notices are available from the Patent Office or on its website, accessible at the date at which this title states the law at www.patent.gov.uk or www.ipo.gov.uk. As to the Patent Office, its organisation and seal see para 14 note 2 ante; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) paras 666–667. Note that the Patent Office is now operating under the name 'the UK Intellectual Property Office' ('UK-IPO'): see the UK Intellectual Property Office Name Change Fact Sheet.
6 *Practice Direction—Appeals* PD52 para 17.4. As to the registrar's statement of reasons see para 404 ante.

410. The registrar's role in appeals. In the case of an appeal from an ex parte decision of the registrar (for example, a refusal of an application to register a mark), the registrar is the respondent and normally appears by counsel. In the case of an appeal from a inter partes matter (for example, opposition, revocation, invalidity or rectification), the registrar is not the respondent, but in certain cases he is entitled to appear and may be directed to appear by the court[1]. Even when the registrar is entitled to appear, however, he normally does not do so unless a matter of public interest or registry practice arises[2]. If the case is one in which the registrar is not entitled to appear

as of right, he may seek permission to intervene if a matter of public interest or registry practice arises[3]. Even if the registrar does not appear (or submit a written statement in lieu of an appearance[4]), the court may request him to provide information as to his practice[5].

1 See the Trade Marks Act 1994 s 74(1); and para 460 post.
2 In such circumstances the registrar asks by letter to be informed if any order other than that asked for or a refusal of the application is to be made, and to be given an opportunity to comment on any such order.
3 See e g *Altecnic Ltd's Trade Mark Application* [2001] EWCA Civ 1928, [2002] RPC 639.
4 As to the registrar's power to submit to the court a written statement instead of appearing see the Trade Marks Act 1994 s 74(2); and para 460 post.
5 See e g *Phones4U Ltd v Phone4u.co.uk Ltd* [2006] EWCA Civ 244, [2007] RPC 83.

B. CONDUCT OF APPEAL

411. Further steps. The proceedings on an appeal from the registrar to the High Court are regulated by the general provisions dealing with appeals to the High Court from lower courts or tribunals[1]. After being served with the appellant's notice, the respondent may within 14 days serve a respondent's notice, and must do so if he wishes to ask the High Court to uphold the order of the registrar for reasons different from or additional to those given by the registrar[2]. There is no longer any specific statutory prohibition on fresh grounds of objection (not taken below) being raised on appeal[3] and so the matter will be governed by general principles[4].

1 Ie by CPR Pt 52, and practice directions made thereunder.
2 CPR 52.5(2)(b), (4)(b).
3 Cf the Trade Marks Act 1938 ss 17(6), 18(9) (both repealed).
4 As to amendment of the grounds of appeal see CPR 52.8. As to admission of fresh evidence see CPR 52.11(2); and para 412 post.

412. Fresh evidence; cross-examination on appeal. There is no express mention in the Trade Marks Act 1994 or the rules made under it of any power in the court to admit fresh evidence[1]. The general rule in relation to appeals which by or under any enactment lie to the High Court from any tribunal or person is that such evidence is not admissible unless the court orders otherwise[2]. The discretion to admit fresh evidence is exercised on essentially the same principles as those applicable to any appeal, but there are certain factors which are peculiar to trade mark cases[3]. It may be appropriate for the admissibility of fresh evidence to be heard as a preliminary issue on the appeal[4].

Under the Trade Marks Act 1938 there was a practice whereby the court allowed on appeal cross-examination of deponents to statutory declarations used before the registrar[5]. This practice has not been adopted under the Trade Marks Act 1994[6] because the registrar is now given power to order disclosure and all the powers of an official referee (now referred to as a judge of the Technology and Construction Court)[7], thus equating proceedings in the Trade Marks Registry with proceedings in the Patent Office under which cross-examination had to be sought in the tribunal of first instance, namely the Patent Office[8].

1 There was in some but not all circumstances such a power under the Trade Marks Act 1938: see e g s 18(8) (repealed).
2 See CPR 52.11(2); and PRACTICE AND PROCEDURE vol 37 (Reissue) para 1516.
3 See *EI Du Pont De Nemours & Co v ST Dupont* [2003] EWCA Civ 1368, [2006] 1 WLR 2793, sub nom *DU PONT Trade Mark* [2004] FSR 293 (in which the earlier authorities are reviewed); *Ladd v Marshall* [1954] 3 All ER 745, [1954] 1 WLR 1489, CA (in which the basic factors are set out). Additional factors which may be relevant are the nature of the mark and the objections to it, the desirability of avoiding multiplicity of proceedings and the public interest in not admitting invalid trade marks onto the register.

4 *EI Du Pont De Nemours & Co v ST Dupont* [2003] EWCA Civ 1368, [2006] 1 WLR 2793, sub nom *DU PONT Trade Mark* [2004] FSR 293.
5 See *Re Kidax Ltd's Application* [1959] RPC 167, CA. Justification for this included the fact that the registrar under the Trade Marks Act 1938 had limited powers e g he had no power to order disclosure.
6 See *Alliance & Leicester plc's Trade Mark Application* [2002] RPC 573.
7 See the Trade Marks Rules 2000, SI 2000/136, r 58; and para 358 ante.
8 *J Sainsbury Ltd's Application* [1981] FSR 406, CA. Cf PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 681. As to the Patent Office, its organisation and seal see para 14 note 2 ante; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) paras 666–667. Note that the Patent Office is now operating under the name 'the UK Intellectual Property Office' ('UK-IPO'): see the UK Intellectual Property Office Name Change Fact Sheet.

413. Costs of appeals. In appeals to the High Court under the Trade Marks Act 1994 costs normally follow the event in accordance with the general practice[1]. There is no longer any express statutory provision as to the registrar's costs[2] so they are in the discretion of the court in the normal way. The general rule is, however, likely to remain unchanged, namely that, where the registrar appears to defend his own decision and loses, he will be ordered to pay the costs[3]. Where he appears primarily to assist the court, no order as to his costs will normally be made[4], but he nevertheless may be ordered to pay costs[5]. Where rights in a pending application are assigned while proceedings are pending, an order for costs may be made in favour of both assignor and assignee[6].

1 As to costs generally see para 449 post; and PRACTICE AND PROCEDURE vol 37 (Reissue) para 1516.
2 Ie as there was under the Trade Marks Act 1938 s 48 (repealed).
3 See *Svenska AB Gasaccumulator's Application* [1962] 1 All ER 886 at 896, [1962] 1 WLR 657n at 671n, [1962] RPC 106 at 117, CA; *STILTON Trade Mark* [1967] RPC 173.
4 See e g *PHANTOM Trade Mark* [1978] RPC 245, CA.
5 See *PNEUVEYOR Trade Mark* [1967] FSR 542 (where administrative errors caused the dispute between the parties, and the registrar was ordered to pay both the applicant's and the respondent's costs of rectification proceedings).
6 *Re Marly Laboratory Ltd's Application* [1952] 1 All ER 1057, 69 RPC 156, CA.

C. THE COURT'S POWERS

414. The court's power to review the registrar's decision. An appeal to the High Court from the registrar is limited to a review of the decision below unless the court considers that in the circumstances of an individual appeal it would be in the interests of justice to hold a re-hearing[1]. Unlike under the Trade Marks Act 1938[2], the court has no power to exercise its own discretion as opposed to reviewing the registrar's exercise of discretion[3]. This is mainly relevant to case management issues, since the registrar has no discretion to refuse to register a trade mark which satisfies the requirements for registration[4].

Neither the Trade Marks Act 1994 nor the Trade Marks Rules 2000[5] provide for the court's powers on an appeal. Accordingly the court has all the powers of the registrar[6].

1 CPR 52.11(1). See also *EI Du Pont De Nemours & Co v ST Dupont* [2003] EWCA Civ 1368, [2006] 1 WLR 2793, sub nom *DU PONT Trade Mark* [2004] FSR 293. This applies even in the case of an appeal from an ex parte decision of the registrar: *Dyson Ltd v Registrar of Trade Marks* [2003] EWHC 1062 (Ch), [2003] 1 WLR 2406, sub nom *Dyson Ltd's Trade Mark Application* [2003] RPC 821. As to the correct approach to a review of the registrar's decision see *South Cone Inc v Bessant (t/a Reef)* [2002] EWCA Civ 763, sub nom *REEF Trade Mark* [2003] RPC 101; *EI Du Pont De Nemours & Co v ST Dupont*, sub nom *DU PONT Trade Mark* supra.
2 Trade Marks Act 1938 s 52 (repealed).
3 See the Trade Marks Act 1994 s 76(1); and para 405 ante.
4 See para 111 ante.
5 Ie the Trade Marks Rules 2000, SI 2000/136 (as amended).
6 CPR 52.10(1).

D. REGISTRATION AFTER APPEAL AND OF COURT ORDERS

415. In general. If the court on appeal decides in favour of registration, then, unless the court otherwise orders, the mark is registered at once, even though the registrar or opponent appeals further[1]. There is no longer any express provision in the Trade Marks Act 1994 or the rules made thereunder governing the registration of orders of the court[2]. Such orders are normally registered all the same.

1 *Re Dubonnet SA's Application* (1915) 32 RPC 241, CA; *Re F Reddaway & Co Ltd's Application* [1925] Ch 693, 42 RPC 397, CA.
2 As to the matters required to be entered in the register see para 22 ante.

(5) ACTIONS FOR INFRINGEMENT AND PASSING OFF

(i) Bringing of Proceedings

416. In general. An infringement[1] of a registered trade mark[2] or of a protected international trade mark (UK)[3] is actionable by the proprietor[4] of the trade mark[5].

No proceedings lie to prevent or recover damages for the infringement of an unregistered trade mark as such; but nothing in the Trade Marks Act 1994 affects the law of passing off[6].

Actions for infringement of a registered trade mark or a protected international trade mark (UK) may be brought in the High Court or a designated county court; while actions for passing off may be brought in the High Court or, it would seem, any county court[7]. Such actions are, therefore, subject to the Civil Procedure Rules generally, there being no special rules relating to passing off, and only limited special provisions[8] relating to infringement of trade marks. Actions are often brought for both infringement and passing off; and for procedural purposes it is convenient to discuss them together, although they are distinct causes of action.

The jurisdiction of the courts, and of the courts of other member states, in relation to actions for infringement of a Community trade mark is dealt with elsewhere in this title[9].

1 For the meaning of 'infringement' see para 84 note 4 ante. As to the acts which amount to infringement, if done without the consent of the proprietor, see the Trade Marks Act 1994 s 10; and para 86 et seq ante. An action in respect of a threatened act of infringement may be brought on the quia timet basis on ordinary principles: see EQUITY vol 16(2) (Reissue) para 484; INJUNCTIONS vol 24 (Reissue) paras 832, 835, 837.
2 As to the meaning of 'registered trade mark' see para 127 ante.
3 As to protected international trade marks (UK) see para 13 ante.
4 For the meaning of references to the proprietor of a registered trade mark in the provisions relating to infringement see the Trade Marks Act 1994 s 31(1), (2); and para 419 note 5 post.
5 Ibid s 14(1). In an action for infringement all such relief by way of damages, injunctions, accounts or otherwise is available to the proprietor as is available in respect of the infringement of any other property right: s 14(2). As to infringement proceedings by a co-proprietor see s 23(5); and para 128 ante.

Section 14 applies in relation to infringement of an existing registered mark committed on or after 31 October 1994, subject to s 105, Sch 3 para 4(2) (see para 97 ante), and the old law continues to apply in relation to infringements committed before that date: Sch 3 para 4(1). For the meaning of 'existing registered mark' see para 4 note 2 ante; and for the meaning of 'the old law' see para 4 note 3 ante.
6 Ibid s 2(2). See *Inter Lotto (UK) Ltd v Camelot Group plc* [2003] EWCA Civ 1132, [2003] 4 All ER 575, [2004] RPC 186. As to passing off see para 304 et seq ante.
7 See para 349 ante.
8 Ie CPR 63.14, 63.15; and *Practice Direction—Patents and Other Intellectual Property Claims* PD63 paras 18.1–23.1.
9 See paras 257 et seq, 349 ante. Note, however, that where the legislation providing for the Community trade mark does not cover a specific matter, the court must apply the rules applicable in national proceedings: see para 257 ante.

417. Parties. The claimant in an action for infringement of a registered trade mark[1] is usually the registered proprietor. Nevertheless it seems probable that, as under previous Acts[2], the assignee of a mark may commence proceedings even though his title has not yet been registered[3]. Licensees[4] and exclusive licensees[5] and authorised users of a registered collective mark[6] or a registered certification mark[7] are provided for separately. Civil proceedings lie against the Crown for an infringement committed by a servant or agent of the Crown, with the authority of the Crown, of a registered trade mark[8].

In an action for passing off the proper claimant is the trader whose goodwill has been or is likely to be injured by the passing off[9].

All persons may be joined as defendants against whom the right to any relief is alleged to exist, whether jointly, severally or in the alternative[10]. Vicarious[11] and joint[12] liability may be asserted on ordinary principles.

1 As to the meaning of 'registered trade mark' see para 127 ante.
2 See *Ihlee v Henshaw* (1886) 31 ChD 323; *Magnolia Metal Co v Atlas Metal Co* (1897) 14 RPC 389, CA.
3 See, by way of further illustration, the Trade Marks Act 1994 s 9 (see paras 84–85 ante), s 10 (see para 86 et seq ante) and s 14 (see para 416 ante), which refer to 'the proprietor' not 'the registered proprietor'. Doubtless the registered proprietor would have to be joined in the action as either claimant or defendant; and the assignee ought to register his assignment as soon as possible, particularly since by virtue of s 25(4) (see para 130 ante), he loses his rights to financial compensation. Cf the similar position of an assignee of a patent: see PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 599.
4 See para 418 post.
5 See para 419 post.
6 See para 162 ante.
7 See para 173 ante.
8 Crown Proceedings Act 1947 s 3(1)(b) (s 3(1) substituted by the Copyright, Designs and Patents Act 1988 s 303(1), Sch 7 para 4(1); and amended by the Trade Marks Act 1994 s 106(1), Sch 4 para 1(1), (2)). Save as so provided, no proceedings lie against the Crown by virtue of the Crown Proceedings Act 1947 in respect of an infringement of a registered trade mark: s 3(1) (as so substituted and amended).
9 It is common to join a number of claimants where there is some doubt as to which owns the relevant goodwill. As to the right of one of several traders entitled to a shared reputation to sue see para 311 ante. A trade association does not have locus to sue in a passing off action to protect the goodwill of the businesses of its members, but in some circumstances it may be entitled to sue to protect its own goodwill: see para 310 notes 4–5 ante.
10 See eg *A Macaulay (Tweeds) Ltd v Hepworths Ltd* [1961] RPC 184 (where, in an action for passing off concerning the use of label 'Harris Tweed' on goods, a Scottish trade association and Scottish manufacturers were properly joined as defendants).
11 See eg *Grierson, Oldham & Co Ltd v Birmingham Hotel & Restaurant Co Ltd* (1901) 18 RPC 158; *E Cusenier et Fils, Ainé, et Compagnie and George Idle Chapman & Co Ltd v Gaiety Bars & Restaurant Co Ltd* (1902) 19 RPC 357; *Havana Cigar Factories Ltd v Tiffin (1905) Ltd* (1909) 26 RPC 473, CA.
12 See *CBS Songs Ltd v Amstrad Consumer Electronics plc* [1988] AC 1013, [1988] RPC 567, HL; *Unilever plc v Gillette (UK) Ltd* [1989] RPC 583, CA; *Credit Lyonnais Bank Nederland NV v Export Credit Guarantee Department* [1998] 1 Lloyd's Rep 19, [1997] 34 LS Gaz R 29, CA; *MCA Records Inc v Charly Records Ltd* [2001] EWCA Civ 1441, [2002] EMLR 1.

418. General provisions as to rights of licensees in case of infringement. On general principles a licensee of a trade mark has no proprietary right in the mark; any right of action in such a licensee is, therefore, merely that conferred by the Trade Marks Act 1994[1].

The following provisions have effect with respect to the rights of a licensee[2] in relation to infringement[3] of a registered trade mark[4]; but they do not apply where or to the extent that the licensee has a right[5] to bring proceedings in his own name[6].

A licensee is entitled, unless his licence[7], or any licence through which his interest is derived, provides otherwise, to call on the proprietor of the registered trade mark to take infringement proceedings[8] in respect of any matter which affects his interests[9]. If the proprietor refuses to do so or fails to do so within two months after being called upon, the licensee may bring the proceedings in his own name as if he were the proprietor[10].

Where infringement proceedings are so brought by a licensee[11], the licensee may not, without the leave of the court[12], proceed with the action unless the proprietor is either joined as a claimant or added as a defendant; but this does not affect the granting of interim relief on an application by a licensee alone[13]. A proprietor who is so added as a defendant may not be made liable for any costs in the action unless he takes part in the proceedings[14].

In infringement proceedings brought by the proprietor of a registered trade mark any loss suffered or likely to be suffered by licensees must be taken into account, and the court may give such directions as it thinks fit as to the extent to which the claimant is to hold the proceeds of any pecuniary remedy on behalf of licensees[15].

The above provisions apply in relation to an exclusive licensee[16] if or to the extent that he has[17] the rights and remedies of an assignee as if he were the proprietor of the registered trade mark[18].

1 *Northern & Shell plc v Condé Nast & National Magazine Distributors Ltd and Penthouse Publications Ltd* [1995] RPC 117.
2 For the meaning of 'licensee' see para 136 note 7 ante. As to licences see paras 136–137 ante.
3 For the meaning of 'infringement' see para 84 note 4 ante.
4 As to the meaning of 'registered trade mark' see para 127 ante.
5 Ie by virtue of the Trade Marks Act 1994 s 31(1): see para 419 post.
6 Ibid s 30(1). Section 30 applies to licences granted before 31 October 1994, but only in relation to infringements committed on or after that date: s 105, Sch 3 para 6(1). For provisions in relation to authorised users of collective marks corresponding to the provisions of s 30 see s 49(2), Sch 1 para 12; and para 162 ante. As to authorised users of certification marks see s 50(2), Sch 2 para 14; and para 173 ante.
7 For the meaning of 'licence' see para 136 note 7 ante.
8 For the meaning of 'infringement proceedings' see para 85 note 4 ante.
9 Trade Marks Act 1994 s 30(2). See also note 6 supra.
10 Ibid s 30(3). See also note 6 supra. Section 30(3) is similar to the Trade Marks Act 1938 s 28(3) (repealed), which was held to be a complete code so that the licensee (then called a registered user) had no entitlement to sue apart from that provision: *Levi Strauss & Co v French Connection Ltd* [1982] FSR 443. The same reasoning would lead to the same result under the Trade Marks Act 1994 s 30(3).
11 Ie by virtue of ibid s 30.
12 For the meaning of 'the court' see para 349 ante.
13 Trade Marks Act 1994 s 30(4). See also note 6 supra. Success on such an application might be prejudiced by the licensee's enforced two months' wait, though probably not if he gave the defendant due warning.
14 Ibid s 30(5). See also note 6 supra.
15 Ibid s 30(6). See also note 6 supra.
16 For the meaning of 'exclusive licensee' see para 137 ante.
17 Ie by virtue of the Trade Marks Act 1994 s 31(1): see para 419 post.
18 Ibid s 30(7). Thus his licensees have the right to take action and so on. See also note 6 supra.

419. Exclusive licensee having rights and remedies of assignee. An exclusive licence[1] may provide that the licensee[2] is to have, to such extent as may be provided by the licence, the same rights and remedies in respect of matters occurring after the grant of the licence as if the licence had been an assignment[3]. Where or to the extent that such provision is made, the licensee is entitled, subject to the provisions of the licence and to the following provisions, to bring infringement proceedings[4], against any person other than the proprietor[5], in his own name[6].

Any such rights and remedies of an exclusive licensee[7] are concurrent with those of the proprietor of the registered trade mark[8].

In an action so brought by an exclusive licensee a defendant may avail himself of any defence which would have been available to him if the action had been brought by the proprietor of the registered trade mark[9].

Where proceedings for infringement of a registered trade mark brought by the proprietor or an exclusive licensee relate wholly or partly to an infringement in respect of which they have concurrent rights of action, the proprietor or, as the case may be, the

exclusive licensee may not, without the leave of the court[10] and subject to any agreement to the contrary between the exclusive licensee and the proprietor, proceed with the action unless the other is either joined as a claimant or added as a defendant; but this does not affect the granting of interim relief on an application by a proprietor or exclusive licensee alone[11]. A person who is so added as a defendant may not be made liable, subject to any agreement to the contrary between the exclusive licensee and the proprietor, for any costs in the action unless he takes part in the proceedings[12].

Subject to any agreement to the contrary between the exclusive licensee and the proprietor, where an action for infringement of a registered trade mark is brought which relates wholly or partly to an infringement in respect of which the proprietor and an exclusive licensee have or had concurrent rights of action[13]:

(1) the court must, in assessing damages, take into account the terms of the licence and any pecuniary remedy already awarded or available to either of them in respect of the infringement[14];

(2) no account of profits may be directed if an award of damages has been made, or an account of profits has been directed, in favour of the other of them in respect of the infringement[15]; and

(3) the court must, if an account of profits is directed, apportion the profits between them as the court considers just, subject to any agreement between them[16].

The proprietor of a registered trade mark must, subject to any agreement to the contrary between the exclusive licensee and the proprietor, notify any exclusive licensee who has a concurrent right of action before applying for an order for delivery up[17]; and the court may on the application of the licensee make such order as it thinks fit having regard to the terms of the licence[18].

1 For the meaning of 'exclusive licence' see para 137 ante.
2 For the meaning of 'licensee' see para 136 note 7 ante.
3 Trade Marks Act 1994 s 31(1). As to assignment of registered trade marks see para 129 et seq ante.
4 For the meaning of 'infringement proceedings' see para 85 note 4 ante; and for the meaning of 'infringement' see para 84 note 4 ante. As to the acts which amount to infringement, if done without the consent of the proprietor, see ibid s 10; and para 86 et seq ante.
5 References to the proprietor of a registered trade mark in the provisions of the Trade Marks Act 1994 relating to infringement are to be construed accordingly: s 31(2). As to the meaning of 'registered trade mark' see para 127 ante. An action against the proprietor would have to be for breach of contract. The exclusive licensee would not have any remedies under the Trade Marks Act 1994 against the proprietor.
6 Ibid s 31(1).
7 For the meaning of 'exclusive licensee' see para 137 ante.
8 Trade Marks Act 1994 s 31(2).
9 Ibid s 31(3). This would seem to prevent a successful action in trade mark infringement by the exclusive licensee in respect of goods of his licensor made abroad (either by the licensor or his licensee). See *Northern & Shell plc v Condé Nast & National Magazine Distributors Ltd and Penthouse Publications Ltd* [1995] RPC 117; but see more generally the cases relating to parallel imports cited at para 107 ante.
10 For the meaning of 'the court' see para 349 ante.
11 Trade Marks Act 1994 s 31(4), (8).
12 Ibid s 31(5), (8).
13 Ibid s 31(6), (8). The provisions of s 31(6) apply whether or not the proprietor and the exclusive licensee are both parties to the action; and, if they are not both parties, the court may give such directions as it thinks fit as to the extent to which the party to the proceedings is to hold the proceeds of any pecuniary remedy on behalf of the other: s 31(6).
14 Ibid s 31(6)(a), (8). See also note 13 supra.
15 Ibid s 31(6)(b), (8). See also note 13 supra.
16 Ibid s 31(6)(c), (8). See also note 13 supra.
17 Ie an order under ibid s 16: see para 461 post.
18 Ibid s 31(7), (8).

420. Claim. In an action for infringement of a registered trade mark[1] the claimant need only assert his registered title[2] and allege the facts constituting infringement. Those

facts will depend upon the type of infringement alleged[3]. The mark must actually be registered, or have become protected, at the date of commencement of the action. It is not enough that registration has been applied for but not yet granted, even though it will date back to the date of application if granted[4].

In a claim for passing off, whether alone or in conjunction with a claim for infringement, the claimant must allege the facts on which the claim to goodwill in the name or the mark is based, and this applies also where he is complaining of confusion likely to be caused by the trading name of some other person[5]. If he alleges fraudulent intent, he must plead it specifically[6].

Particulars must be given sufficient to identify any individual instances of infringement or passing off as to which the claimant proposes to give evidence at the trial[7]. Where an account or inquiry as to damages is claimed[8], it is not necessary that more than a few instances should be given. Without alleging individual sales or deception of named persons, the claimant may rely on the similarity of a name or mark as in itself establishing probability of confusion[9].

1 As to the meaning of 'registered trade mark' see para 127 ante.
2 *La Radiotechnique v Weinbaum* [1928] Ch 1, 44 RPC 361. As to evidence of registration see para 428 post. In the case of a protected international trade mark (UK), the proprietor will rely upon his registration as holder of the mark on the international register, which is prima facie evidence of the validity of the original international registration and of any subsequent assignment or other transmission of it: see para 110 ante. However, there is no statutory presumption of the validity of its protected status in the United Kingdom although such a presumption would appear to arise on general principles of the presumption of validity of official acts following the publication by the registrar of particulars stating the date upon which, and the goods or services in respect of which, protection is conferred (see the Trade Marks (International Registration) Order 1996, SI 1996/714, art 12(3) (as substituted); and para 389 ante). For the meaning of 'protected international trade mark (UK)' see para 13 ante. For the meaning of 'international register' see para 12 note 2 ante.
3 See the Trade Marks Act 1994 s 10; and para 86 et seq ante.
4 See ibid s 9(3) (see para 85 ante) and s 40(3) (see para 21 ante). Similarly, it is not enough if an international registration designating the United Kingdom has not yet achieved protected status: see para 389 ante. For the meaning of 'international registration designating the United Kingdom' see para 13 ante.
5 As to the burden of proof in actions for passing off see para 307 et seq ante.
6 *Claudius Ash, Son & Co Ltd v Invicta Manufacturing Co Ltd* (1912) 29 RPC 465 at 475, HL; *HP Bulmer Ltd and Showerings Ltd v J Bollinger SA and Champagne Lanson Père et Fils* [1978] RPC 79 at 121, CA. The relevant intention must be to deceive, a mere knowledge that the acts concerned will do so not being sufficient. See para 330 ante. See also *India Rubber, Gutta Percha and Telegraph Works Ltd v County Golf Co* (1925) 42 RPC 225 (amendment of claim alleging fraud).
7 See the cases cited at para 432 note 1 post.
8 See paras 442–444 post.
9 *Reddaway v Bentham Hemp-Spinning Co* [1892] 2 QB 639, 9 RPC 503, CA.

(ii) Defences

421. Defences to proceedings for infringement; counterclaims or applications for revocation, invalidity or rectification. Apart from traversing the facts alleged, a defendant in an infringement action may plead that what he is doing does not come within the statutory meaning of 'infringement'[1], or that he comes within one of the statutory or other exemptions from infringement[2]. He may also deny the claimant's title or allege that the registration is invalid or should be revoked. If so, he may put in issue the validity of the trade mark in his defence or may apply by counterclaim[3] for an order for revocation of the registration or for a declaration of invalidity of the registration or for rectification of the register, or he may do all of those things[4].

1 See the Trade Marks Act 1994 ss 9, 10 (s 10 as amended); and para 84 et seq ante.
2 See para 96 et seq ante.

3 Ie under CPR Pt 20: see SET-OFF AND COUNTERCLAIM vol 42 (Reissue) para 480 et seq.
4 CPR 63.15. As to claims for revocation, declaration of invalidity or rectification see para 458 post. Although CPR Pt 63 does not expressly provide, these provisions must presumably apply to international trade marks (UK) in the same way as to United Kingdom registered trade marks since the relevant provisions of the Trade Marks Act 1994 (i e s 46 (revocation) and s 47 (declaration of invalidity)) apply generally to protected international trade marks (UK): see para 396 note 2 ante.

422. Defences in actions for passing off. A defendant in an action for passing off may deny the claimant's claim that the name or get-up is distinctive of the claimant's goods or services[1], or he may allege fraud[2] or acquiescence or a licence disentitling the claimant to succeed[3]. He may also plead that there was no real and tangible danger of deception arising by the use of the mark or indicium complained of[4]. The defendant may allege that he has an independent or concurrent right to use the mark, name or get-up[5]. Where the defendant merely traverses the claimant's allegation that a name or mark is distinctive of the claimant's goods, the defendant will not be ordered to serve particulars of use of the name or mark by others[6].

1 Cf paras 317 et seq, 338 et seq ante.
2 See para 330 ante.
3 See para 316 ante.
4 See para 326 et seq ante.
5 See para 346 ante.
6 *La Radiotechnique v Weinbaum* [1928] Ch 1, 44 RPC 361. If, however, the defendant pleads affirmatively that the name or mark has been in common use, particulars identifying any prior user may be ordered to be given: *Aquascutum Ltd v Moore and Scantlebury* (1903) 20 RPC 640; *Schweppes Ltd v Gibbens* (1905) 22 RPC 113, CA.

423. Stay pending application for registration by defendant. It is a defence to an action for infringement of a registered trade mark or of a protected international trade mark (UK) that the defendant is himself using a validly registered mark[1]. Occasions arise when a defendant is sued in respect of the use of a mark which is itself the subject of an application by the defendant to register. As registration, if effected, will date back to the date of the application[2], the success of that application would provide a complete defence to the action. Accordingly, it is possible for a defendant, in such circumstances, to apply for a stay of the action against him[3] or even a stay of a final injunction[4]. A defendant who is the holder of an international registration for which protection has been requested in the United Kingdom may similarly apply for a stay until the procedure leading to the mark becoming protected has been completed[5]. A stay will be granted only where the interests of justice (taking into account the claims of both parties) so require[6]. It will be relevant if the action and defendant's application before the registrar raise essentially the same issues. Where this is so, a stay of the action will not normally be granted because as a general rule a claimant has a right of choice of tribunal[7].

1 See the Trade Marks Act 1994 s 11(1); and para 92 ante. As to the meaning of 'registered trade mark' see para 127 ante; and as to protected international trade marks (UK) see para 13 ante.
2 See ibid s 40(3); and para 21 ante.
3 See e g *JU James & Sons Ltd v Wafer Razor Co Ltd* (1932) 49 RPC 597, CA. As to stay of proceedings generally see PRACTICE AND PROCEDURE vol 37 (Reissue) para 926 et seq.
4 See *Electrolux Ltd v Electrix Ltd* (1953) 70 RPC 127; on appeal (1954) 71 RPC 23, CA (stay of an injunction granted because of the defendant's long concurrent use). However, the application to register ultimately failed: see *Electrix Ltd v Electrolux Ltd* [1960] AC 722, [1959] 3 All ER 170, [1959] RPC 283, HL.
5 Once the mark becomes protected, its effect will date back to the date of the international registration: see para 21 ante.
6 See *Berlei (UK) Ltd v Bali Brassiere Co Inc* [1970] RPC 469 (stay refused). The final injunction permitted the defendants to continue their application for concurrent registration: see [1972] RPC 568. See also *JU James & Sons Ltd v Wafer Razor Co Ltd* (1932) 49 RPC 597, CA; *Flowerdale Ltd v Hale Electric Co Ltd* (1949) 66 RPC 333, CA (stay refused because the infringement action raised essentially the same issues

as the registry proceedings, which were themselves stayed (see (1949) 66 RPC 86)); *Agfa AG v Ilford Ltd* [1960] RPC 108 (stay refused); *Second Sight Ltd v Novell UK Ltd* [1995] RPC 423 (stay granted).

7 *Flowerdale Ltd v Hale Electric Co Ltd* (1949) 66 RPC 333, CA; *Ravenhead Brick Co Ltd v Ruabon Brick and Terra Cotta Co Ltd* (1937) 54 RPC 341; *Colibri Lighters Ltd v Markt & Co (London) Ltd* [1959] RPC 8.

424. Stay of proceedings by way of settlement. In accordance with general principles it is possible for an action to be compromised on agreed terms, the action being stayed except for the purposes of enforcing the agreed terms[1]. Where an undertaking to inform the registrar of any proposed order has been given[2], he should be informed of the proposed order. Such an order, if not observed, can be enforced by the grant of an injunction and an inquiry as to damages[3]. Settlements in passing off and trade mark cases often contain undertakings to the court (as to non-use of a mark complained of) in addition to such agreed terms.

1 Ie by a so-called 'Tomlin' order: see PRACTICE AND PROCEDURE vol 37 (Reissue) para 1206.

2 See para 410 ante.

3 *Hyatt Roller Bearing Co and Delco Remy and Hyatt Ltd v Frederick Pollard & Co (Bearings) Ltd* (1934) 52 RPC 115.

425. Discontinuance. The discontinuance of an action for infringement of a trade mark or for passing off is governed by the ordinary rules[1]. Normally the court will require the claimant to undertake not to bring any future action in respect of any such act as was alleged in the action concerned to be wrongful, whenever that act was committed[2].

1 See CPR Pt 38; and PRACTICE AND PROCEDURE vol 37 (Reissue) para 801 et seq.

2 See *American International Group Inc v London American International Corpn Ltd* [1982] FSR 441.

426. Effect of beginning proceedings on right to give warning against infringement while proceedings are pending. When proceedings relating to the validity of a registered trade mark, or proceedings against the proprietor of the mark for passing off, are pending, the sending by or on behalf of the proprietor of a warning letter to a trade journal or to a member of the trade against the consequences of infringing the mark does not in itself amount to contempt of court, even though no mention is made of the pending proceedings, unless the letter is likely to harm the other party to the proceedings in the preparation and presentation of his case by tending to discourage people from giving evidence on his behalf[1].

Apart from any question of contempt when there are pending proceedings, the proprietor of a trade mark must be careful not to expose himself to proceedings in respect of groundless threats of trade mark proceedings[2].

1 *Carl-Zeiss-Stiftung v Rayner & Keeler Ltd, Re Trade Mark No 249,457* [1960] 3 All ER 289, [1960] 1 WLR 1145, [1961] RPC 1. See also *Thorley's Cattle Food Co v Massam* (1880) 14 ChD 763, CA; cf *J and P Coats v Chadwick* [1894] 1 Ch 347 (where a circular issued to the trade while an action for infringement was pending did not amount to a mere warning but libelled the defendants, and was calculated to create bias in the minds of recipients and to deter them from coming forward as witnesses for the defendants). Cf PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 604. It has been said in relation to advertisements of proceedings concerning the infringement of patents that the claimant must not state that his success is certain or that the defendant has infringed: see PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 604. Cf *Carl-Zeiss-Stiftung v Rayner & Keeler Ltd, Re Trade Mark No 249,457* supra at 294, 301, at 1153, 1162, and at 9, 16 (criticising a dictum in *Goulard and Gibbs v Lindsay & Co Ltd and Ferranti* (1887) 4 RPC 189 at 190; and commenting on *Mullard Radio Valve Co Ltd v Rothermel Corpn Ltd* (1933) 51 RPC 1). As to contempt of court by comment on pending proceedings generally see CONTEMPT OF COURT vol 9(1) (Reissue) para 409 et seq.

2 See the Trade Marks Act 1994 s 21; and paras 123–125 ante.

(iii) Disclosure

427. Disclosure. The normal rules as to disclosure apply to actions for infringement and for passing off[1]. It is normal for the claimant to seek an inquiry as to damages or an account of profits, and therefore disclosure in these actions before trial has usually been limited to those matters relevant to the issue of liability, as distinct from matters relevant to quantum[2]. The latter arise only if the claimant succeeds; the courts have been reluctant to compel the defendant to disclose, for example, the names of his customers to a trade rival until the claimant's rights have been established[3]. Once liability has been established, however, the claimant is entitled to certain disclosure to enable him to elect between an inquiry as to damages and an account of profits[4]. For the purposes of an account of profits or an inquiry as to damages all necessary disclosure must be given[5].

The normal rules as to privilege apply in relation to these classes of action. In addition, communications as to any matter relating to the protection of any design or trade mark, or as to any matter involving passing off, with trade mark agents and patent agents, attracts legal professional privilege in the same way as communications with a solicitor[6].

1 See CPR Pt 31; and PRACTICE AND PROCEDURE vol 37 (Reissue) para 551 et seq. In an appropriate case disclosure may be obtained from a non-party: see CPR 31.17; and *American Home Products Corpn v Novartis Pharmaceuticals UK Ltd (No 2)* [2001] EWCA Civ 165, [2001] FSR 41, [2001] IP & T 752.

2 See *Baldock v Addison* [1995] 3 All ER 437, [1995] 1 WLR 158.

3 *Carver v Pinto Leite* (1871) 7 Ch App 90; *Fennessy v Clark* (1887) 37 ChD 184, CA; *Re Wills' Trade Marks* [1892] 3 Ch 201, 9 RPC 346, CA. Cf *Howe v M'Kernan* (1862) 30 Beav 547; *Aubanel and Alabaster Ltd v Aubanel* (1950) 67 RPC 222, CA. As to the position where actual deception is alleged see para 432 note 1 post.

4 *Island Records Ltd v Tring International plc* [1995] 3 All ER 444, [1996] 1 WLR 1256; *Brugger v Medicaid* [1996] FSR 362.

5 See *Leather Cloth Co Ltd v Hirschfeld* (1863) 1 Hem & M 295; *Powell v Birmingham Vinegar Brewery Co Ltd* (1896) 14 RPC 1, CA (names and addresses of customers); *Manus Akt v RJ Fullwood and Bland Ltd* [1949] Ch 208, [1949] 1 All ER 205, 66 RPC 71, CA. Cf PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 617.

6 See the Trade Marks Act 1994 s 87 (trade mark agents: see para 34 ante); and the Copyright, Designs and Patents Act 1988 s 280 (as amended) (patent agents: see PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) para 617).

(iv) Evidence

428. Evidence of registration. In all legal proceedings relating to a registered trade mark[1], including proceedings for rectification of the register[2], the registration of a person as proprietor of a trade mark is prima facie evidence of the validity of the original registration and of any subsequent assignment or other transmission of it[3]. Similar provisions apply in relation to protected international trade marks (UK)[4].

Entries in the register are provable by the original certificate of registration[5] or by a certified copy of the entry[6]. Judicial notice must be taken of copies issued by the International Bureau of entries in the international register and copies of the gazette published by the International Bureau, and they are admissible as evidence of any instrument or other act thereby communicated of the International Bureau[7].

A statement in writing submitted to the court by the registrar, when he is not directed by the court to appear, is deemed to form part of the evidence in proceedings for revocation, declaration of invalidity or rectification[8].

1 As to the meaning of 'registered trade mark' see para 127 ante.

2 As to proceedings for rectification of the register see para 396 et seq ante. As to the register see para 19 ante.

3 See the Trade Marks Act 1994 s 72; and para 110 ante.
4 See para 110 ante.
5 Ie the certificate issued under the Trade Marks Act 1994 s 40(2): see para 388 ante. The certificate of registration is the legal and proper proof of registration: *Re William Crawford & Sons' Application* (1917) 34 RPC 97.
6 As to the supply of certified copies of entries in the register see para 24 ante. Whenever legal proceedings concerning a registered trade mark arise, such a certified copy should be requested. Often, especially at the interim relief stage, evidence of registration is given by producing a photocopy of the advertisement of the mark concerned in the relevant Trade Marks Journal together with evidence as to the state of the register revealed by an inspection. As to the International Bureau see paras 8 note 11, 12 note 5 ante.
7 Trade Marks (International Registration) Order 1996, SI 1996/714, art 27(2), (3).
8 See the Trade Marks Act 1994 s 74(2); and para 460 post.

429. Evidence as to other registrations. Evidence as to other trade marks that have been registered is in principle irrelevant when considering whether a particular mark satisfies the requirements for registration[1]. The same applies when considering whether the use of one mark infringes another[2]. If the marks have been used concurrently, however, evidence of this is relevant and admissible[3].

1 *British Sugar plc v James Robertson & Sons Ltd* [1996] RPC 281 at 305 per Jacob J. As to the requirements for registration see para 55 et seq ante.
2 *Neutrogena Corpn v Golden Ltd* [1996] RPC 473 at 502–503, CA, per Jacob J (a case under the Trade Marks Act 1938 s 30 (repealed)).
3 See para 432 post.

430. Evidence as to trade usage etc. In any action relating to a trade mark or trade name under the provisions of the Trade Marks Act 1938, evidence had to be admitted as to the usages of the trade concerned and of any relevant trade mark or trade name or get-up legitimately used by other persons[1]. Notwithstanding the repeal of that provision by, and its not being re-enacted in, the Trade Marks Act 1994, it is clear that such evidence is admissible on general principles; it is relevant probative matter[2].

1 See the Trade Marks Act 1938 s 49 (repealed).
2 Thus such evidence has routinely been admitted in passing off actions for many years. Cf *Mitchell v Henry* (1880) 15 ChD 181, CA. References to trade papers are admissible for this purpose: see *Singer Manufacturing Co v Loog* (1882) 8 App Cas 15 at 24, HL; *Daimler Motor Car Co Ltd v British Motor Traction Co Ltd* (1901) 18 RPC 465. Interrogatories might be served on this point: *Perry & Co Ltd v Hessin & Co* (1910) 28 RPC 108. Interrogatories have now been replaced by requests for further information: see CPR Pt 18.

431. Similarity a question of fact for the court; admissibility of evidence. It is for the court or other tribunal concerned to decide whether the similarity of the mark, name or get-up complained of to that registered or employed by the claimant is such as (in combination with the similarity of goods or services) to give rise to a likelihood of confusion or to be calculated to deceive (depending on the nature of the proceedings). The tribunal is entitled to make a decision based on its own experience even in the absence of evidence[1]. It is not proper for witnesses to be asked whether in their opinion confusion or deception is likely[2]. Witnesses may, however, be properly called to show the custom of the trade as to the use of names or matters of get-up[3], the circumstances in which the articles are sold[4] and the method in which the claimant's name etc is used[5], and any other matters necessary to instruct the court and enable it to arrive at a decision on this point[6], and the court should decide in view of this evidence and not merely on an inspection of the objects[7]. The court may refer to dictionaries as to the meaning of a word and the use to which it is put[8]. A witness may be asked if he himself would be deceived; an expert witness may legitimately give evidence that, according to his experience of the conduct of the business concerned, traders or customers will adopt certain practices[9].

What degree of similarity is likely to deceive or cause confusion in any instance is incapable of definition a priori[10]; and the observations of judges upon other and quite different facts are usually of little help[11].

1 *North Cheshire and Manchester Brewery Co Ltd v Manchester Brewery Co Ltd* [1899] AC 83, HL; *Tokalon Ltd v Davidson & Co* (1914) 31 RPC 74, Ct of Sess (affd 32 RPC 133, CA); *AG Spalding & Bros v AW Gamage Ltd and Benetfink & Co Ltd* (1915) 32 RPC 273, HL; *Tavener Rutledge Ltd v Specters Ltd* [1959] RPC 355, CA; *Neutrogena Corpn v Golden Ltd* [1996] RPC 473, CA; *Premier Luggage and Bags Ltd v Premier Co (UK) Ltd* [2002] EWCA Civ 387, [2003] FSR 796.

2 *Mothercare UK Ltd v Penguin Books Ltd* [1988] RPC 113 at 116, CA; *Island Trading Co v Anchor Brewing Co* [1989] RPC 287; *Payton & Co Ltd v Snelling, Lampard & Co Ltd* [1901] AC 308 at 312, 17 RPC 628 at 635, HL; *AG Spalding & Bros v AW Gamage Ltd* (1915) 32 RPC 273 at 286, 290, HL. See also *North Cheshire and Manchester Brewery Co Ltd v Manchester Brewery Co Ltd* [1899] AC 83 at 85, HL; *Claudius Ash, Son & Co Ltd v Invicta Manufacturing Co Ltd* (1912) 29 RPC 465 at 476, HL; *Re Spiller Ltd's Application* (1952) 69 RPC 327 (on appeal (1953) 70 RPC 51, CA; affd (1954) 71 RPC 234, HL); *Harker Stagg Ltd's Trade Mark* (1954) 71 RPC 136 at 140, CA; *Tavener Rutledge Ltd v Specters Ltd* [1959] RPC 355 at 360–361, CA. See also note 9 infra.

3 See eg *George Ballantine & Son Ltd v Ballantyne Stewart & Co Ltd* [1959] RPC 273 at 279–280, CA (tendency to abbreviate composite name).

4 These circumstances include the class of purchasers (*R Johnston & Co v Archibald Orr Ewing & Co* (1882) 7 App Cas 219, HL; *Wilkinson v Griffith* (1891) 8 RPC 370), their likely reactions and behaviour (*Guccio Gucci SpA v Paolo Gucci* [1991] FSR 89), the manner in which articles are asked for *(Imperial Tobacco Co (of Great Britain and Ireland) Ltd v Purnell & Co* (1904) 21 RPC 598, CA; *Havana Cigar and Tobacco Factories Ltd v Oddenino* (1923) 40 RPC 229 at 241; *John Jaques & Sons Ltd v Chess* [1940] 2 All ER 285, 57 RPC 77, CA; *GB Delavelle Ltd v Stanley* (1946) 63 RPC 103 at 109; *Sales Affiliates Ltd v Le Jean Ltd* [1947] Ch 295 at 301–302, [1947] 1 All ER 287 at 290–291, 64 RPC 103 at 110), and the features to which customers attach importance (*Perry & Co Ltd v T Hessin & Co* (1912) 29 RPC 509 at 533, CA; *Dunhill v Bartlett and Bickley* (1922) 39 RPC 426). See generally *BACH and BACH FLOWER REMEDIES TRADE MARKS* [2000] RPC 513, sub nom *Bach Flower Remedies Ltd v Healing Herbs Ltd* [1999] IP & T 146, CA.

5 *Daimler Motor Car Co Ltd v British Motor Traction Co Ltd* (1901) 18 RPC 465; *Standard Bank of South Africa Ltd v Standard Bank Ltd* (1909) 26 RPC 310.

6 As to evidence generally in passing off cases see *North Cheshire and Manchester Brewery Co Ltd v Manchester Brewery Co Ltd* [1899] AC 83, HL. In *Wilkinson v Griffith* (1891) 8 RPC 370 at 372, the court admitted evidence of increase in the defendant's sales after the adoption of the label complained of as showing that this had caused the goods to be bought as the plaintiff's goods.

7 See eg *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 All ER 873, [1990] 1 WLR 491, [1990] RPC 341 at 397, HL ('Jif Lemon'). See also *London General Omnibus Co Ltd v Lavell* [1901] 1 Ch 135 at 138, 18 RPC 74 at 79, CA.

8 *Textron Inc and Textron Ltd v Henry C Stevens Ltd and Blick Office Equipment Ltd* [1977] RPC 283 (where the court had regard to a letter from the publishers of the Oxford English Dictionary as to the meaning of a word not yet in the dictionary); *Hormel Foods Corpn v Antilles Landscape Investments NV* [2005] EWHC 13 (Ch), [2005] RPC 657, [2005] IP & T 822; *Re Elliott Optical Co Ltd's Application* (1952) 69 RPC 169 at 173 (a decision of the registrar to the effect that statements in year books as to a word being a trade mark are not admissible) would probably no longer be followed, now that hearsay evidence is admissible.

9 *Claudius Ash, Son & Co Ltd v Invicta Manufacturing Co Ltd* (1912) 29 RPC 465, HL; *Royal Warrant Holders' Association v Edward Deane and Beal Ltd* [1912] 1 Ch 10, 28 RPC 721; *Perry & Co Ltd v T Hessin & Co* (1912) 29 RPC 509, CA; *Harrods Ltd v R Harrod Ltd* (1923) 41 RPC 74, CA; *George Ballantine & Son Ltd v Ballantyne, Stewart & Co Ltd* [1959] RPC 273 at 280, CA. It has been suggested (on motion) that trade witnesses could give evidence of direct opinion as to the probability of deception (*Sodastream Ltd v Thorn Cascade Co Ltd* [1982] Com LR 64, [1982] RPC 459, CA); and that in an area which requires specialised knowledge it was admissible for trade witnesses to give evidence as to whether their customers would be confused (*Guccio Gucci SpA v Paolo Gucci* [1991] FSR 89). See also *Taittinger SA v Allbev Ltd* [1994] 4 All ER 75, [1993] 2 CMLR 741, [1993] FSR 641, CA; *NAD Electronics Inc v NAD Computer Systems Ltd* [1997] FSR 380; *Antec International Ltd v South-Western Chicks (Warren) Ltd* [1998] FSR 738, [1998] 18 LS Gaz R 32; *Premier Brands Ltd v Typhoon Europe Ltd* [2000] FSR 767, [2000] IP & T 218. However it has also been held that such experts are not experts as to the likelihood of confusion: *The European Ltd v The Economist Newspaper Ltd* [1998] FSR 283, [1998] ETMR 307, CA.

10 *Seixo v Provezende* (1866) 1 Ch App 192 at 196 per Lord Cranworth, cited in *Re Rysta Ltd's Application, Re Aristoc Ltd's Opposition* [1943] 1 All ER 400 at 406, 60 RPC 87 at 108, CA, per Luxmoore LJ.

11 *R Johnston & Co v Archibald Orr Ewing & Co* (1882) 7 App Cas 219 at 219–220, HL, per Lord Watson. Citing previous decisions on a question of fact is neither a useful nor a proper exercise: *Mölnlycke AB v Procter & Gamble Co (No 5)* [1994] RPC 49 at 114, CA; *Oska's Ltd's Trade Mark Application* [2005] RPC 525, Appointed Person. Accordingly, many decided cases involving comparison of two or more marks have not been cited in this title.

432. Evidence of actual deception. Evidence may be given as to cases of actual deception, where persons have traded with the defendant under the impression that they were trading with the claimants, or have bought the infringing goods under the impression that they were the goods of the claimants[1]. If such instances relate to direct dealing with the defendants or their agents, they may constitute part of the cause of action, but, even if they do not, they are still available as evidence to show that the similarity is such as is likely to deceive[2]. The absence of actual deception may also be relevant, depending upon the extent and nature of the use of the parties' respective marks[3].

Evidence may also be given of persons having asked for goods by the claimant's trade name and having been given the wrong goods, whether in fact such persons were deceived or not[4]. The court attaches importance to evidence that both marks have actually been in use for a long time, or that goods bearing the marks have been sold through the same outlets to the public, without any instances of confusion having arisen[5]. Such absence of confusion may, however, be capable of explanation[6].

1 Note that evidence of actual confusion does not necessarily show that anyone has been deceived by a misrepresentation as is required for a case in passing off: *Premier Luggage and Bags Ltd v Premier Co (UK) Ltd* [2002] EWCA Civ 387, [2003] FSR 796. Where actual deception is alleged, the names and addresses of the persons deceived have been ordered to be disclosed: *Humphries & Co v Taylor Drug Co* (1888) 39 ChD 693, 5 RPC 687; cf *Duke & Sons v Wisden & Co* (1897) 77 LT 67, CA. In practice, now that witness statements of evidence in chief are supplied in advance of trial, this may no longer be necessary. Where the defendant seeks to show that the wrong goods were given inadvertently in these cases, other instances may be proved by the claimant to rebut this defence: *Parozone Co Ltd v Johnston Gibson* (1904) 21 RPC 317, Ct of Sess.

2 *John Brinsmead & Sons Ltd v Brinsmead* (1913) 30 RPC 137 at 146. Where the defendants pleaded that, if any salesman of theirs had made such representations as were alleged by the plaintiffs, he had acted contrary to the defendants' express instructions, particulars were ordered to be given of the instructions: *Boston Marine Patents Co Ltd v Wheeler and Thomson* (1954) 71 RPC 432.

3 Compare *HP Bulmer Ltd and Showerings Ltd v J Bollinger SA and Champagne Lanson Père et Fils* [1978] RPC 79, CA, with *Portakabin Ltd v Powerblast Ltd* [1990] RPC 471. If absence of confusion is to be relied upon, it must first be shown that there has been an opportunity for confusion to occur: *Phones4U Ltd v Phone4u.co.uk Ltd* [2006] EWCA Civ 244, [2007] RPC 83.

4 See para 433 note 2 post.

5 *HP Bulmer Ltd and Showerings Ltd v J Bollinger SA and Champagne Lanson Père et Fils* [1978] RPC 79, CA. See also *Re White Rose Application* (1885) 30 ChD 505; *Re Lambert's Trade Mark* (1889) 6 RPC 344, CA; *Re Talbot's Trade Mark* (1894) 11 RPC 77 at 81; *Re Holbrook's Ltd's Application* (1909) 26 RPC 791; *Re Carborundum Co's Application* (1909) 26 RPC 504; *Kidax (Shirts) Ltd's Applications* [1959] RPC 295 at 308 (approved on appeal [1960] RPC 117, CA); *Re Helena Rubenstein Ltd's Application* [1960] RPC 229.

6 *Berlei (UK) Ltd v Bali Brassiere Co Inc* [1969] 2 All ER 812, [1969] 1 WLR 1306, [1969] RPC 472, HL. See also *Schweppes Ltd v Gibbens* (1905) 22 RPC 113, CA (on appeal 22 RPC 601, HL); *AG Spalding & Bros v AW Gamage Ltd* (1915) 32 RPC 273 at 286, HL; *Electrolux Ltd v Electrix Ltd* (1953) 70 RPC 127 at 132 (on appeal (1954) 71 RPC 23, CA).

433. Trap orders. The claimant may rely on 'trap orders', or orders given for the claimant's goods by persons sent for that purpose[1] to shops where it is expected that in response to an order for the claimant's goods the infringing goods will be supplied. Although recognising the necessity for this class of evidence, the court scrutinises very closely all the circumstances surrounding the trap orders and insists that the evidence show that the order was given in a perfectly clear manner, so that the defendant or his employees fully realised what was being asked for[2]. Unless the defendants have been informed promptly that the claimants propose to rely on particular sales after they have

occurred, they may be unfairly handicapped, as a shop assistant cannot be expected to remember the details of every sale effected[3]. It is not sufficient to send a trap order to a person who is known to stock only an alleged infringing article, in a form which implies that the goods required are stocked, nor will deception necessarily be inferred from the fact of supplying the infringing article in response to orders for the claimant's goods if this is negatived by the get-up of the goods[4].

1 It is permissible for such a person to be a solicitor even if he conceals his qualification, and whether or not he may offend against the rules of professional conduct is irrelevant: *Marie Claire Album SA v Hartstone Hosiery Ltd* [1993] FSR 692.

2 *Stillitz v Jones and Higgins Ltd* (1942) 60 RPC 15 at 17. Where possible, it is preferable that the orders should be in writing: *Cart & Sons v Crisp & Co Ltd* (1902) 19 RPC 497 at 500; *Smith's Potato Crisps Ltd v Paige's Potato Crisps Ltd* (1928) 45 RPC 132, CA; *Cellular Clothing Co Ltd v G White & Co Ltd* (1952) 70 RPC 9. Evidence based on trap orders was treated as unsatisfactory in *Natural Chemicals Ltd and Veno's Drug Co Ltd and Irving's Yeast-Vite Ltd (Consolidated) v Amblins (Chemists) Ltd* (1940) 57 RPC 323; *Cellular Clothing Co Ltd v G White & Co Ltd* supra; but such evidence was accepted in *Showerings Ltd v Cheltenham and Hereford Breweries Ltd* [1958] RPC 446; *Thomas French & Sons Ltd v John Rhind & Sons Ltd* [1958] RPC 82; *Showerings Ltd v Blackpool Tower Co Ltd* [1975] FSR 40.

3 *Ripley v Griffiths* (1902) 19 RPC 590 at 597; *HP Truefitt Ltd and Truefitt v Edney* (1903) 20 RPC 321; *Re Burroughs, Wellcome & Co's Trade Marks, Wellcome v Thompson and Capper* (1904) as reported in 21 RPC 69 at 84; *Lever Bros Ltd v Masbro' Equitable Pioneer Society Ltd* (1912) 29 RPC 225 at 235, CA; *Cellular Clothing Co Ltd v G White & Co Ltd* (1952) 70 RPC 9. See also *John Knight & Sons Ltd v Crisp & Co Ltd* (1904) 21 RPC 670 at 673; *CC Wakefield & Co Ltd v Board* (1928) 45 RPC 261; *Broads v Cast Iron Drainage* [1970] FSR 363.

4 *Re Registered Trade Marks, Fitchetts Ltd v Loubet & Co Ltd* (1919) 36 RPC 296 at 304; cf *Showerings Ltd v Blackpool Tower Co Ltd* [1975] FSR 40.

434. Survey evidence. Attempts have been made in a number of cases to ascertain the opinions of members of the public by means of market research techniques involving a survey. The polls have varied in degree of sophistication[1]. In general, these surveys have had little effect on the case concerned[2], and the courts have generally accepted them as corroborative evidence only. Where they have been successful, a number of persons polled have given direct evidence[3].

There are two distinct problems associated with such surveys. First, it is a difficult task to frame questions which are totally fair and not open to criticism[4]. The mere fact of asking a question may often have an effect invalidating the result[5]. Secondly, there is the problem of getting the evidence properly before the court. It is clear that full information as to the whole survey must be given, including details as to how the respondents were chosen, as otherwise the survey will be rejected as valueless. Such information can be provided by giving evidence as to how the survey was conducted and making available to the opposite party all the answers received[6].

It has been held that a properly conducted poll does not constitute hearsay evidence because it is evidence of an external fact, namely public opinion[7]. Differing views have been expressed as to whether the evidence of market researchers reporting the results of surveys constitutes expert evidence[8].

1 For an example of an inexact poll see *Treasure Cot Co Ltd v Hamleys Bros Ltd* (1950) 67 RPC 89 at 93. More statistically valid surveys were carried out in *Coca-Cola Co v William Struthers & Sons Ltd* [1968] RPC 231, Ct of Sess; *GE Trade Mark* [1969] RPC 418 at 446 per Graham J (on appeal [1970] RPC 339, CA; revsd [1973] RPC 297 at 321, HL); *Customglass Boats Ltd v Salthouse Bros Ltd* [1976] RPC 589 (NZ); *Tetrosyl Ltd v Silver Paint and Lacquer Co Ltd* [1980] FSR 68, CA; *Lego System A/S v Lego M Lemelstrich Ltd* [1983] FSR 155.

2 *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 All ER 873, [1990] 1 WLR 491, [1990] RPC 341 at 397, HL ('Jif Lemon'), is a notable exception. For a summary of the surveys see *Reckitt & Colman Products Ltd v Borden Inc* supra at 350 per Walton J. Even in that case there was, however, one 'experiment' which was not really a survey at all: the reactions of members of the public were tested in supermarkets after they had put the defendants' 'lemon' in their shopping baskets with a genuine view to purchase.

3 Eg *McDonald's Hamburgers Ltd v Burgerking (UK) Ltd* [1986] FSR 45; *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 All ER 873, [1990] 1 WLR 491, [1990] RPC 341, HL ('Jif Lemon'); *Neutrogena Corpn v Golden Ltd* [1996] RPC 473, CA. In recent years surveys have increasingly been used as a means to obtain witnesses rather than as evidence in their own right. The courts have placed limits on the number of such witnesses that can be called: see *BACH and BACH FLOWER REMEDIES TRADE MARKS* [2000] RPC 513, sub nom *Bach Flower Remedies Ltd v Healing Herbs Ltd* [1999] IP & T 146, CA.

4 *Scott Ltd v Nice-Pak Products Ltd* [1989] FSR 100, CA. See also the cases cited in note 1 supra; and *Re Hack's Application* (1940) 58 RPC 91 at 110; *United Biscuits (UK) Ltd v Burtons Biscuits Ltd* [1992] FSR 14 (another case where a poll was held to be of no value); *Stringfellow v McCain Foods (GB) Ltd* [1984] RPC 501, [1984] FSR 175 (revsd [1984] RPC 501 at 525, CA). Nor is it acceptable to conduct a survey which excludes a relevant class of persons: *Dualit Ltd's (Toaster Shapes) Trade Mark Applications* [1999] RPC 890.

5 *Imperial Group plc v Phillip Morris Ltd* [1984] RPC 293 at 303; *Reed Executive plc v Reed Business Information Ltd* [2004] EWCA Civ 159, [2004] RPC 767, [2004] IP & T 1049.

6 *A Baily & Co Ltd v Clark, Son and Morland* [1938] AC 557, [1938] 2 All ER 377, 55 RPC 253, HL.

7 See *Lego System A/S v Lego M Lemelstrich Ltd* [1983] FSR 155. Whether this view would be universally accepted remains to be seen. If the view is correct, then it means that there is no opportunity of testing that opinion by cross-examination, a result which seems hardly consistent with normal principles of litigation.

8 *Reckitt & Colman Products Ltd v Borden Inc (No 2)* [1987] FSR 407 (which held that it did not); *O2 Holdings Ltd and O2 (UK) Ltd v Hutchinson 3G Ltd (No 2)* [2006] EWHC 601 (Ch), [2006] RPC 766, [2006] ETMR 55 (which held that it did).

435. Evaluation of likelihood of confusion on appeal. An appellate court will be reluctant to interfere with the first instance tribunal's evaluation of the likelihood of confusion in the absence of an error of principle[1].

1 *South Cone Inc v Bessant (t/a Reef)* [2002] EWCA Civ 763, sub nom *REEF Trade Mark* [2003] RPC 101; *EI Du Pont De Nemours & Co v ST Dupont* [2003] EWCA Civ 1368, [2006] 1 WLR 2793, sub nom *DU PONT Trade Mark* [2004] FSR 293.

(v) Relief

A. IN GENERAL

436. Types of relief available. Following judgment at trial for a claimant in an action for infringement of a registered trade mark or a protected international trade mark (UK)[1], or for passing off[2], the types of relief available are those generally available in respect of the infringement of a property right[3]. These include a permanent injunction[4], a declaration[5], an inquiry as to damages[6] or an account of profits[7], an order for delivery up, erasure or destruction[8], a certificate of contested validity of a registered trade mark[9], and costs[10]. In relation to registered trade marks the statutory remedies of erasure[11] and delivery up[12] are also available. In addition the court may order appropriate measures for the dissemination and publication of the judgment to be taken at the defendant's expense[13].

Following judgment at trial for a claimant in an action for infringement of a Community trade mark[14], the court must, unless there are special reasons for not doing so, grant a permanent injunction[15]; otherwise it must give the same relief as for infringement of a registered trade mark[16].

Interim remedies are of particular importance in infringement and passing off cases[17]. These remedies include interim injunctions[18], search orders[19], orders for immediate disclosure[20], freezing injunctions[21] and, on occasions, certain orders under the protective jurisdiction of equity against non-infringers (for example, disclosure of names of infringers and interim preservation)[22]. Summary judgment[23] is also available in suitable

cases[24]. Applications for interim relief should be considered in all cases, as a successful application almost always results in an early termination of the infringement and also a considerable saving in time and costs.

1 As to actions for infringement see para 84 et seq ante. As to the meaning of 'registered trade mark' see para 127 ante. As to protected international trade marks (UK) see para 13 ante.
2 As to passing off see para 304 et seq ante.
3 This is explicit in relation to registered trade marks (see the Trade Marks Act 1994 s 14(2); and para 416 ante); but in relation to passing off it follows under the general law.
4 See paras 437–440 post.
5 See para 441 post.
6 See para 443 post.
7 See para 444 post.
8 See para 445 post.
9 See para 447 post.
10 See para 449 post.
11 See para 446 post.
12 See paras 461–463 post.
13 *Practice Direction—Patents and Other Intellectual Property Claims* PD63 para 29.2.
14 As to the bringing of an action for infringement of a Community trade mark see para 250 et seq ante.
15 See EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 98(1); and para 258 ante. See also Case C-316/05 *Nokia Corp v Wärdell* [2007] IP & T 499, [2006] All ER (D) 219 (Dec). The practical effect of this requirement is similar to the English practice as to the grant of injunctions: see paras 437–440 post.
16 Ie if the acts of infringement were committed or threatened to be committed in the United Kingdom. See EC Council Regulation 40/94 (OJ L11, 14.1.94, p 1) on the Community trade mark, art 98(2) (which provides that, as regards sanctions for infringement, the court must apply the law of the member state in which the acts of infringement were committed); and para 258 ante.
17 'The very life of a trade mark depends upon the promptitude with which it is vindicated': see *Orr Ewing & Co v Johnston & Co* (1880) 13 ChD 434 at 464, CA, per James LJ; approved (1882) 7 App Cas 219, HL. As a general proposition this statement remains as true today as when it was said: *Phones4U Ltd v Phone4u.co.uk Ltd* [2006] EWCA Civ 244, [2007] RPC 83.
18 See paras 450–451 post.
19 These were formerly known as Anton Piller orders. See para 452 post.
20 See para 453 post.
21 These were formerly known as Mareva injunctions. See para 455 post.
22 See paras 453–454 post.
23 Ie under CPR Pt 24: see PRACTICE AND PROCEDURE vol 37 (Reissue) para 921 et seq.
24 See para 456 post.

B. INJUNCTION AND DECLARATION

437. Permanent injunction. An infringement of a registered or protected international trade mark, or the passing off of goods or services, gives generally[1] the right to an injunction to restrain its continuance[2]; but, where it is clear that the defendant has no intention of continuing the wrongful acts, a declaration may be granted in lieu of an injunction, together with liberty to apply for an injunction[3]. Where the act is an isolated and innocent act[4] or where the acts were inadvertent[5], particularly if the defendant has promptly admitted the claimant's rights[6], an injunction may not be granted. Where, however, there was evidence of the act having been done by mistake but the defendant refused to give an apology or to offer any undertaking, an injunction has been granted[7]. Similarly, where a defendant insists on a claim of right to do certain things, it is no ground for refusing an injunction to restrain him from doing them to prove that he has not yet done them in fact[8]. An application by the defendant for the registration of a trade mark is a sufficient threat to use the mark[9]. Even if the defendant offers an undertaking, the claimant may well be entitled (as, for example, where publicity is desirable) to an order in open court if the infringement was deliberate[10].

If an offer made after the commencement of proceedings is to deny the claimant an injunction, it must be an offer that would give the claimant all to which he is entitled[11]. Offers can be made without prejudice except on the question of costs[12]. Where such an offer is made, the subsequent costs of continuing proceedings to obtain an order in open court may not be recoverable[13].

1 In proceedings against the Crown the court may not grant an injunction but may make an order declaratory of the parties' rights: see the Crown Proceedings Act 1947 s 21; and CROWN PROCEEDINGS AND CROWN PRACTICE vol 12(1) (Reissue) para 134. See, however, *Re M* [1994] 1 AC 377, sub nom *M v Home Office* [1993] 3 All ER 537, HL (court has jurisdiction in proceedings for judicial review to grant an injunction against a Minister of the Crown).

2 *Edelsten v Edelsten* (1863) 1 DeGJ & Sm 185 at 199 (non-statutory mark); *Upmann v Forester* (1883) 24 ChD 231 (non-statutory mark); *Slazenger & Sons v Spalding & Bros* [1910] 1 Ch 257, 27 RPC 20 (registered trade mark); *Forth and Clyde and Sunnyside Iron Cos Ltd v William Sugg & Co Ltd* (1928) 45 RPC 382. As to the need to allege and show an intention to continue the wrongful acts see *Cellular Clothing Co Ltd v G White & Co Ltd* (1952) 70 RPC 9; and as to the enforcement by injunction of an order staying proceedings on agreed terms (a 'Tomlin' order) see para 424 ante.

3 *Treasure Cot Co Ltd v Hamley Bros Ltd* (1950) 67 RPC 89; *Sterwin AG v Brocades (Great Britain) Ltd* [1979] RPC 481. There is no power to make an interim declaration: see note 1 supra.

4 *Leahy, Kelly and Leahy v Glover* (1893) 10 RPC 141 (act of employee without principal's knowledge); *Burberrys v Watkinson* (1906) 23 RPC 141 (isolated mistake); *Kodak Ltd v Grenville* (1908) 25 RPC 416 (honest isolated act); *John Knight & Sons Ltd v Crisp & Co Ltd* (1904) 21 RPC 670 (single instance of passing off with no intention of continuance and no proof of damage). Cf *Société Française Radio-Electrique v West Central Wireless Supplies* (1928) 45 RPC 276 (single sale of article, but article previously publicly exhibited under plaintiff's trade mark; plaintiff entitled to injunction or undertaking, but order drafted to make clear that infringement was innocent, so that this fact might appear if order advertised).

5 *Wayne V Myers Co Ltd v LE Fields Auto Services Ltd* (1954) 71 RPC 435 (infringement of trade mark and passing off).

6 *Upmann v Elkan* (1871) 7 Ch App 130.

7 *Steiner Products Ltd v Stevens* [1957] RPC 439.

8 *Havana Cigar and Tobacco Factories Ltd v Oddenino* [1924] 1 Ch 179 at 190, 41 RPC 47 at 54, CA.

9 *Ravenhead Brick Co Ltd v Ruabon Brick and Terra Cotta Co Ltd* (1937) 54 RPC 341. See also the Trade Marks Act 1994 s 32(3); and para 363 ante.

10 *Gandy Belt Manufacturing Co Ltd v Fleming, Birkby and Goodall Ltd* (1901) 18 RPC 276 (followed in *JT Smith and JE Jones Ltd v Service, Reeve & Co Ltd* [1914] 2 Ch 576, 31 RPC 319); *Fox v Luke* (1925) 43 RPC 37; *Kodak Ltd v T Illingworth & Co Ltd* (1925) 43 RPC 33; and see para 436 ante.

11 See *Colgate-Palmolive Ltd v Markwell Finance Ltd* [1989] RPC 497, CA; *Brugger v Medicaid* [1996] FSR 362; *Illustrated Newspapers Ltd v Publicity Services (London) Ltd* [1938] Ch 414 at 424, [1938] 1 All ER 321 at 329, 55 RPC 172 at 183. Thus the offer should include costs: *Société Française Radio-Electrique v West Central Wireless Supplies* (1928) 45 RPC 276. See also *AG Spalding & Bros v AW Gamage Ltd* (1915) 32 RPC 273 at 287, HL.

12 These are now known as 'Part 36 offers': see CPR Pt 36, codifying the procedure approved in *Calderbank v Calderbank* [1976] Fam 93, [1975] 3 All ER 333, CA, extended to all cases by *Cutts v Head* [1984] Ch 290, [1984] 1 All ER 597, CA. See PRACTICE AND PROCEDURE vol 37 (Reissue) para 807 et seq. Where such an offer is made, the fact that such an offer has been made must not be communicated to the judge until the case has been decided: CPR 36.13(2).

13. See *Slazenger v Pigott* (1895) 12 RPC 439; *Winkle & Co Ltd v Gent & Son* (1914) 31 RPC 473; *Rippingilles Albion Lamp Co Ltd v Clarke's Syphon Stove Co Ltd* (1917) 34 RPC 365.

438. Form of permanent injunction. The form of injunction varies according to the acts to be restrained[1]. In an action for infringement of a registered trade mark, the injunction restrains the infringement of the mark generally[2]. In an action for passing off, the injunction may relate to the use of a trading name or to the use of a mark or name on goods[3]. A passing off injunction relating to the use of a mark or name on goods may restrain user of the mark or name without clearly distinguishing the goods from the claimant's[4], but it is difficult to comply with such an injunction[5]. An injunction may be granted restraining user calculated to deceive[6], or imitation of get-up[7], or sale under a name or mark so closely resembling the claimant's as to be calculated to pass off or enable others to pass off goods as his[8], or the sale of goods other than the claimant's

goods under a particular name unless it is first ascertained that the claimant's goods are not required[9]. In other passing off cases, the order may not give the defendant the opportunity to distinguish his goods from the claimants'[10]. In special cases, the order may permit sales under a mark only if certain labelling precautions are taken[11]. In general a passing off injunction will extend to the whole of England and Wales, even though the claimant has established a reputation in a limited area only[12]. A mandatory injunction requiring a company to change its name may be ordered[13].

1 In practice, an injunction is not granted in a form so qualified that it might be said subsequently to have amounted to the court laying down a course of conduct which the defendant might pursue: see *Kerfoot v RA Cooper Ltd* (1908) 25 RPC 508. An undertaking agreed between the parties may, however, be in such a form: see *Twentieth Century Fox Film Corpn v Gala Film Distributors Ltd* [1957] RPC 105. For the apt words restraining acts by agents etc see *Marengo v Daily Sketch and Sunday Graphic Ltd* [1948] 1 All ER 406, 65 RPC 242, HL.

2 See e g *Dunlop Rubber Co Ltd v AA Booth & Co Ltd* (1926) 43 RPC 139; *Forth and Clyde and Sunnyside Iron Cos Ltd v William Sugg & Co Ltd* (1928) 45 RPC 382; *Reynolds v Laffeaty's Ltd* [1958] RPC 387 at 396; c f *Coflexip SA v Stolt Comex Seaway MS Ltd* [2001] 1 All ER 952, [2001] RPC 182, CA (a patents case). Occasionally the injunction contains a reference to the specific infringing mark complained of. It may contain a saving corresponding to the terms of the Trade Marks Act 1994 s 11(2)(a) (see para 93 ante) for the defendant to use his own name in accordance with honest practices: *Parker-Knoll (Textiles) Ltd's Trade Mark, Parker-Knoll Ltd v Knoll International Ltd* [1961] RPC 346 at 373, CA; affd [1962] RPC 265, HL. A qualified injunction may be granted in some circumstances: *Microsoft Corpn v Plato Technology Ltd* [1999] IP & T 1, CA (restricted injunction granted where defendant infringed claimant's rights only in a relatively minor and unintended way and no evidence of intention of repeating infringements); *Glaxo Group Ltd v Dowelhurst Ltd* [2004] EWCA Civ 290, [2004] IP & T 1035, [2005] ETMR 104 (qualified injunction granted in parallel import case where it was difficult for defendant to tell whether goods were in free circulation or not); *Sun Microsystems Inc v Amtec Computer Corpn Ltd* [2006] EWHC 62 (Ch), [2006] FSR 630 (differently qualified injunction granted in parallel import case). For a case where the court granted a full injunction, and refused the qualification sought by the defendant on the ground that to include it could involve the court in deciding management and commercial questions, see *British Telecommunications plc v Nextcall Telecom plc* [2000] FSR 679.

3 As to the restraint of the use of a trader's own name see para 344 ante.

4 See e g *R Johnston & Co v Archibald Orr Ewing & Co* (1882) 7 App Cas 219 at 234, HL: *Frank Reddaway & Co Ltd v George Banham & Co Ltd* [1896] AC 199 at 221, HL; *Re Teofani & Co's Trade Mark, Teofani & Co Ltd v Teofani* [1913] 2 Ch 545, 30 RPC 446; *Brittain Publishing Co (London) Ltd and London and Local Newspapers Ltd v Trade and Commercial Press Ltd* [1957] RPC 134; *Parker-Knoll (Textiles) Ltd's Trade Mark, Parker-Knoll Ltd v Knoll International Ltd* [1961] RPC 346 at 373, CA (affd [1962] RPC 265, HL).

5 As to the problems involved see e g *Parker-Knoll Ltd v Knoll International Ltd* [1962] RPC 243, CA (proceedings for infringement), although the defendants did ultimately succeed in distinguishing (see *Parker-Knoll plc v Knoll Overseas Ltd* [1985] FSR 349).

6 See e g *Ideal General Supply Co Ltd v Louis Edelson and Bette Edelson (t/a the Ideal Clothing Co)* [1957] RPC 252 at 259; *Siegert v Findlater* (1878) 7 ChD 801 at 814.

7 *William Edge & Sons Ltd v William Niccolls & Sons Ltd* [1911] AC 693, 28 RPC 582, HL; *Biro Swan Ltd v Tallon Ltd* [1961] RPC 326.

8 See *Adrema Ltd v Adrema-Werke GmbH and BEM Business Efficiency Machines Ltd* [1958] RPC 323 at 332.

9 *Havana Cigar and Tobacco Factories Ltd v Oddenino* [1924] 1 Ch 179, 41 RPC 47, CA; *Goddard v Watford Co-operative Society* (1924) 41 RPC 218; and see *Treasure Cot Co Ltd v Hamley Bros Ltd* (1950) 67 RPC 89 at 94 (declaration granted in lieu of an injunction). Such an injunction will not be qualified by a proviso excusing the defendant if he uses his best endeavours to comply: *Showerings Ltd v Entam* [1975] FSR 45.

10 See *Montgomery v Thompson* [1891] AC 217, 8 RPC 361, HL (where it was not thought practicable to allow the defendant to distinguish).

11 See *Sony KK v Saray Electronics (London) Ltd* [1983] FSR 302, CA (disclaiming labels required).

12 *Chelsea Man Menswear Ltd v Chelsea Girl Ltd* [1987] RPC 189, CA.

13 *Glaxo plc v Glaxowellcome Ltd, Cullen and MacDonald* [1996] FSR 388. If the company refuses or neglects to change its name it appears that an order should be sought against the members of the company requiring them to pass the appropriate special resolution: *Halifax plc v Halifax Repossessions Ltd* [2004] EWCA Civ 331, [2004] FSR 903, [2004] IP & T 905.

439. Stay of permanent injunction. A stay of a permanent injunction may be granted in accordance with general principles[1]. In particular, a stay may be granted pending appeal[2] to give the defendant sufficient time to comply with the injunction[3].

Where a stay pending appeal is sought, the claimant will now normally be required to give a cross-undertaking in damages if the stay is to be refused[4].

1 See ENFORCEMENT vol 17(1) (Reissue) para 195 et seq.

2 See INJUNCTIONS vol 24 (Reissue) para 833. A stay pending appeal on terms that the defendant paid 10% of its gross proceeds of sale into a joint account was granted in *CPC (United Kingdom) Ltd v Keenan* [1986] FSR 527 ('Oxbridge' marmalade). This was an interlocutory appeal but the same sort of consideration may arise after full trial. For a form of order after trial see *HP Bulmer Ltd and Showerings Ltd v J Bollinger SA and Champagne Lanson Père & Fils* [1976] RPC 97 at 150.

3 Eg where it would involve re-labelling or a change of company name: see e g *Saville Perfumery Ltd v June Perfect Ltd and FW Woolworth & Co Ltd* (1941) 58 RPC 147 at 169, HL.

4 See *Minnesota Mining and Manufacturing Co v Johnson and Johnson Ltd* [1976] RPC 671, CA (a patent case).

440. Enforcement of injunction. An injunction or undertaking is enforced in the usual way, for example by committal[1] as against an individual, or by sequestration[2] as against a body corporate or, possibly, its directors. Personal service of the order must have normally been effected on the directors if the order is to be so enforced against them[3]. If contempt is alleged, the court must decide the matter even if it means deciding a question of liability in a pending action[4]. Costs on a successful application are normally awarded on an indemnity basis[5].

1 See CPR Sch 1 RSC Ord 52; and INJUNCTIONS vol 24 (Reissue) para 1005 et seq.

2 See *Edward Grey Ltd v Greys (Midlands) Ltd* (1952) 70 RPC 25; *C Alexander & Co Ltd v Devon Cold Wave Co Ltd* [1957] RPC 331; *English Rose Ltd v Daintifyt Brassiere Co Ltd* [1958] RPC 359 (affd [1959] RPC 41, CA) (cases where no order was made save for payment of the plaintiff's costs as between solicitor and client); *Brittain Publishing Co (London) Ltd v Trade and Commercial Press Ltd* [1957] RPC 271 (no order made); *General Radio Co v General Radio Co (Westminster) Ltd* [1958] RPC 68 (no order except that costs of motion should be plaintiff's costs in action). See also INJUNCTIONS vol 24 (Reissue) para 1006. Leave for withdrawing sequestration proceedings is needed: see *Showerings Ltd v Fern Vale Brewery Co Ltd* [1958] RPC 462. A clear breach must be shown if sequestration is to be granted: *Redwing Ltd v Redwing Forest Products Ltd* (1947) 64 RPC 67.

3 See CPR Sch 1 RSC Ord 45 r 7(2); and ENFORCEMENT vol 17(1) (Reissue) para 29. See also *Redwing Ltd v Redwing Forest Products Ltd* (1947) 64 RPC 67.

4 *Chanel Ltd v FGM Cosmetics Ltd* [1981] FSR 471. See, however, *Spectravest Inc v Aperknit Ltd* [1988] FSR 161, where Millett J held that, in the case of an interlocutory injunction not to infringe the plaintiff's copyright, the injunction meant the copyright claimed by the plaintiff and that the subsistence and ownership of the copyright was to be assumed. Cf *Staver Co Inc v Digitext Display Ltd* [1985] FSR 512, where Scott J took the view that such a form of injunction required the plaintiff to prove his case in full to succeed on a contempt motion. It is always better to frame an interim injunction by reference to precise acts only and omitting any reference to a legal right.

5 As to the indemnity basis see CPR 44.4(1). Assessment of costs is now generally either on the standard basis or on the indemnity basis: see CPR 44.4; and COSTS vol 10 (Reissue) para 22.

441. Declaration. Normally a declaration that a defendant has infringed a trade mark is unnecessary because the grant of the injunction speaks for itself. Occasionally an injunction is not awarded, as being unnecessary in the circumstances[1].

1 See e g *Treasure Cot Co Ltd v Hamley Bros Ltd* (1950) 67 RPC 89; *Sterwin AG v Brocades (Great Britain) Ltd* [1979] RPC 481; and para 437 ante. Normally a declaration would be the appropriate remedy against the Crown: see para 437 note 1 ante.

C. PECUNIARY REMEDIES

442. Damages or account of profits. The two pecuniary remedies of an inquiry as to damages or account of profits are alternatives. Following judgment on the question of liability[1] the claimant is given an election as to which he prefers[2]. It is possible for the court to refuse either remedy and instead to award nominal damages only, but it will do so only where it is very clear that there is no actual damage[3]. An account of profits is an

equitable remedy and on general principles[4] may be refused or limited where the claimant is at fault in some way[5] or where the defendant is blameless[6].

1 It is the usual practice in trade mark and passing off cases for the claimant to claim an inquiry as to damages or an account of profits at his election and for there to be a split trial between liability and quantum. This is particularly convenient in this class of case where the primary remedy is an injunction and where quantifying damages or profits may be difficult. If a case were to arise where it was sensible to deal with the claim for pecuniary relief at the same time as trial, the claimant would have to elect between damages or an account at an earlier stage.

2 See *Weingarten Bros v Bayer & Co* (1905) 22 RPC 341 at 351, 92 LT 511 at 513, HL. An inquiry as to damages or an account of profits is a remedy additional to an injunction: *Weingarten Bros v Bayer & Co* supra. It seems usually to have been left to the option of the claimant whether an inquiry as to damages or an account of profits should be granted (see *Weingarten Bros v Bayer & Co* supra; *Saxlehner v Apollinaris Co* [1897] 1 Ch 893 at 902, 14 RPC 645 at 656), but in *Van Zeller v Mason, Cattley & Co* (1907) 25 RPC 37 at 41, Joyce J treated the matter as one for the discretion of the court. As to disclosure to enable the claimant to make his election see para 427 ante.

3 *McDonald's Hamburgers Ltd v Burgerking (UK) Ltd* [1987] FSR 112 at 122, CA, per Kerr LJ. For earlier cases see *Sanitas Co Ltd v Condy* (1886) 4 RPC 195; *Magnolia Metal Co v Atlas Metal Co* (1897) 14 RPC 389, CA. The costs of an inquiry are in the discretion of the court so that, if the claimant fails to prove damage (or to overtop a payment into court), he will be ordered to pay the costs of the inquiry.

4 See EQUITY vol 16(2) (Reissue) paras 553, 558–560.

5 See e g *Lever Bros, Port Sunlight Ltd v Sunniwite Products Ltd* (1949) 66 RPC 84 at 102 (account only from date of letter before action because plaintiff had delayed).

6 See e g *AG Spalding & Bros v AW Gamage Ltd* (1915) 32 RPC 273 at 283, HL, per Lord Parker. See also *Henry Heath Ltd v Frederick Gorringe Ltd* (1924) 41 RPC 457.

443. Inquiry as to damages. Where in an action for infringement of an intellectual property right the defendant knew, or had reasonable grounds to know, that he engaged in infringing activity, the damages awarded to the claimant must be appropriate to the actual prejudice he suffered as a result of the infringing activity[1]. When awarding such damages, all appropriate aspects must be taken into account, including in particular[2]:

(1) the negative economic consequences, including any lost profits, that the claimant has suffered and any unfair profits made by the defendant; and

(2) elements other than economic factors, including the moral prejudice caused to the claimant by the infringement.

Where appropriate, such damages may be awarded on the basis of the royalties or fees which would have been due had the defendant obtained a licence[3].

Except to the extent that they are inconsistent with these provisions[4], substantially the same principles govern inquiries as to damages and the measure of damages in actions for the infringement of trade marks as in actions for passing off[5]. The claimant can recover only in respect of such damage as he can be shown to have in fact sustained or as must be presumed to flow from the acts proved to have been committed by the defendant[6]. It is no defence to a claim for more than nominal damages[7] that the defendant acted innocently[8]. An inquiry as to damages may be refused if there is no evidence of such damage[9] or a payment into court has been made sufficient to cover any damage[10]. Such an inquiry is normally granted at the risk of the claimant as to costs[11]. An inquiry as to damages may be ordered against both a company and individuals who have been responsible for the company's tortious acts[12]. The form of an order for inquiry as to damages should indicate that the inquiry is to be limited to damage suffered by the claimant through the defendant's wrongful acts as distinct from damage caused by mere trade competition[13].

The measure of damages recoverable is largely a question of fact to be determined in the light of the evidence by the tribunal in the way in which a jury would estimate damages[14]. In general the claimant is entitled to damages for all loss actually sustained by him as the natural and direct consequence of the defendant's wrongful acts, including

any loss of trade sustained either directly from those acts or properly attributable to the injury to the claimant's reputation and goodwill caused by the acts[15]. It will not be assumed in the absence of evidence that, where the defendant has sold deceptive articles, every one of the sales would, but for the deception, have necessarily been obtained by the claimant[16]. The court will, however, presume that the presence on the market of a large quantity of deceptive goods will have an adverse effect on the claimant's business; and where such goods have been sold to a middleman, it is not necessary for the claimant to prove that there has been a fraudulent resale by the middleman[17]. Where the claimant cannot prove diversion of trade or any specific damage to goodwill, he may be able to claim damages assessed on a reasonable royalty basis[18]. The costs of putting innocent third parties on notice are recoverable as damages[19], as are the costs of a prior legal action for disclosure to find out the name of the defendant[20].

Where damages will fall to be included by the claimant in his statement of profits, no account should be taken of income tax in assessing them[21]. VAT may be payable on a sum of damages received by way of settlement[22].

Damages can be recovered only in respect of an act which has taken place within the six years preceding the issue of the writ[23], unless concealed fraud is established[24]. Damages have been refused on the ground of delay[25].

1 Intellectual Property (Enforcement, etc) Regulations 2006, SI 2006/1028, reg 3(1).
2 Ibid reg 3(2)(a). Regulation 3 is derived from EC Parliament and Council Directive 2004/48 (OJ L157 30.4.04, p 45) art 13.
3 Intellectual Property (Enforcement, etc) Regulations 2006, SI 2006/1028, reg 3(2)(b).
4 Ibid reg 3(3).
5 Cf *Manus Akt v RJ Fullwood and Bland Ltd* (1954) 71 RPC 243 (damages for infringement and passing off assessed together).
6 See *Draper v Trist* [1939] 3 All ER 513, 56 RPC 429, CA; *Ideal General Supply Co Ltd v Louis Edelson and Bette Edelson (t/a the Ideal Clothing Co)* [1957] RPC 252 at 258. As to the assessment of damages in tort generally see DAMAGES vol 12(1) (Reissue) para 851 et seq.
7 As to entitlement to nominal damages see *AG Spalding & Bros v AW Gamage Ltd* (1915) 32 RPC 273, HL; *Draper v Trist* [1939] 3 All ER 513 at 518, 56 RPC 429 at 435, CA. Nominal damages have, however, been refused where the plaintiff had promptly put an end to the wrongful act of the defendant and had not shown that it had suffered any loss: *Ideal General Supply Co Ltd v Louis Edelson and Bette Edelson (t/a the Ideal Clothing Co)* [1957] RPC 252 at 258.
8 *Gillette UK Ltd v Edenwest Ltd* [1994] RPC 279.
9 See para 442 note 2 ante.
10 *Samuelson v Producers Distributing Co Ltd* (1931) as reported in 48 RPC 580 at 590.
11 *AG Spalding & Bros v AW Gamage Ltd* (1915) 32 RPC 273, HL. See also e g *Draper v Trist* (1939) as reported in 56 RPC 429 (claim put forward for £48,000; £2,000 recovered; plaintiffs awarded half their costs); *Manus Akt v RJ Fullwood and Bland Ltd* (1954) 71 RPC 243 (claim for between £67,000 and £76,000, but £10,000 was awarded; plaintiff awarded costs of inquiry).
12 *Middlemas and Wood v Moliver & Co Ltd* (1921) 38 RPC 97; *Oertli AG V EJ Bowman (London) Ltd* [1956] RPC 282 (where it was said that a director would not be liable for any new passing off which occurred after he ceased to be a director).
13 *Baume & Co Ltd v AH Moore Ltd* [1958] RPC 319, CA (where the defendants withdrew an objection to an order referring to sale under any name 'calculated' to pass off the goods as the plaintiffs'). See also *Singer Manufacturing Co v British Empire Manufacturing Co Ltd* (1903) 20 RPC 313 at 320. As to disclosure in relation to an inquiry as to damages see para 427 ante.
14 See *Alexander & Co v Henry & Co, Mitchell and Waller & Co* (1895) 12 RPC 360; *Ledger Sons & Co v J Munro & Co Ltd* (1916) 33 RPC 53, Ct of Sess; *Juggi Lal-Kamlapat and Juggilal-Kamlapat Mills Co of Cawnpore v Swadeshi Co Ltd* (1928) 46 RPC 74, PC; *Manus Akt v RJ Fullwood and Bland Ltd* (1954) 71 RPC 243 at 250; and see generally *General Tire and Rubber Co v Firestone Tyre and Rubber Co Ltd* [1975] 2 All ER 173, [1975] 1 WLR 819, [1976] RPC 197, HL.
15 *AG Spalding & Bros v AW Gamage Ltd* (1918) 35 RPC 101, CA. Such damages may include the cost of advertisements to counteract the effect of the defendant's conduct.
16 *Leather Cloth Co Ltd v Hirschfield* (1865) LR 1 Eq 299; *Alexander & Co v Henry & Co, Mitchell and Waller & Co* (1895) 12 RPC 360; *Magnolia Metal Co v Atlas Metal Co* (1897) 14 RPC 389, CA; *Ledger Sons & Co v J Munro & Son Ltd* (1916) 33 RPC 53 at 59, Ct of Sess; *Draper v Trist* [1939] 3 All ER 513 at 520, 56 RPC 429 at 437, CA; *PC Products Ltd v Dalton* [1957] RPC 199 at 202, Ct of Sess.

17 *Draper v Trist* [1939] 3 All ER 513, 56 RPC 429, CA.

18 *Road Tech Computer Systems Ltd v Mandata (Management and Data Services) Ltd* [2000] IP & T 1029, Master (distinguishing *Dormeuil Frères SA v Feraglow Ltd* [1990] RPC 449). This is an application of the 'user principle': see also *Stoke on Trent City Council v W & J Wass Ltd* [1988] 3 All ER 394, [1988] 1 WLR 1406, CA; *Inverugie Investments Ltd v Hackett* [1995] 3 All ER 841. [1995] 1 WLR 713, PC; *A-G v Blake* [2001] 1 AC 268, [2000] 4 All ER 385, HL. The user principle is well-established in relation to other intellectual property rights: see *Meters v Metropolitan Gas Meters Ltd* (1911) 28 RPC 157, 104 LT 113, CA (patents); *Stovin-Bradford v Volpoint Properties Ltd* [1971] Ch 1007, [1971] 3 All ER 570, CA (copyright); *Michael O'Mara Books Ltd v Express Newspapers plc* [1998] EMLR 383, [1999] FSR 49 (copyright); *Blayney (t/a Aardvark Jewelry) v Clogau St David's Gold Mines Ltd* [2002] EWCA Civ 1007, [2003] FSR 360, CA (copyright); *Seager v Copydex Ltd (No 2)* [1969] 2 All ER 718, [1969] 1 WLR 809, CA (confidential information); *Dowson & Mason Ltd v Potter* [1986] 2 All ER 418, [1986] 1 WLR 1419, CA (confidential information). However, it has been doubted whether the user principle is always applicable to trade mark cases: *Reed Executive plc v Reed Business Information Ltd* [2004] EWCA Civ 159, [2004] RPC 767, [2004] IP & T 1049.

19 *Dormeuil Frères SA v Feraglow Ltd* [1990] RPC 449.

20 *Morton-Norwich Products Inc v Intercen Ltd (No 2)* [1981] FSR 337.

21 *PC Products Ltd v Dalton* [1957] RPC 199 at 202, Ct of Sess.

22 *Cooper Chasney Ltd v Customs and Excise Comrs* [1992] FSR 298.

23 See the Limitation Act 1980 s 2 (actions founded on tort); and LIMITATION OF ACTIONS vol 28 (Reissue) para 858.

24 See ibid s 32 (as amended); and LIMITATION OF ACTIONS vol 28 (Reissue) para 1119 et seq.

25 *F Reddaway & Co Ltd v Stevenson & Bro Ltd and Stevenson* (1902) 20 RPC 276; *GH Gledhill & Sons Ltd v British Perforated Toilet Paper Co* (1911) 28 RPC 429. It is difficult to see the justification for this, unless delay is such as to debar the entire cause of action or there has been such delay in pursuing an inquiry that it is struck out for want of prosecution. As to the effect of delay and acquiescence generally see para 99 ante.

444. Account of profits. The court may grant an account of profits[1] where one party knowingly marks his goods with the trade mark of the claimant or passes off his goods as those of the claimant[2]. An account may also be granted where one party owes a duty to another; the person to whom the duty is owed is entitled to recover from the other party every benefit which that other party has received by virtue of his fiduciary position, if in fact he has obtained it without the knowledge or consent of the party to whom he owes the duty[3]. An account is normally refused if the defendant was ignorant of the claimant's rights, and is limited to the period, if any, during which the defendant had knowledge of the claimant's rights[4]. An account cannot be granted in respect of any matter which arose more than six years before the commencement of the action[5], except in a case of concealed fraud[6]. Where the claimant has without excuse failed for a considerable period to take proceedings after he has become aware that an infringement of his rights has taken place, an account may be granted of profits only up to the time when he became aware of his rights[7], or may be dated only from the time when he complained to the defendants[8], or may be refused except as regards the period since the commencement of proceedings[9]. The costs of taking an account are normally reserved.

In taking an account of profits, which is an equitable relief, the damage which the claimant has suffered is totally immaterial, the object of the account being to give the claimant the actual profits which the defendant has made and of which equity strips him as soon as it is established that the profits were improperly made[10]. The claimant is, however, only entitled to an account of such profits as ought to be treated as having been improperly made by the defendant[11]. Accordingly, on the sale of goods by the defendant to a middleman, the profit for which the defendant must account is the profit which he has made by the sale of the goods in fraudulent dress to the middleman and it is immaterial whether the middleman sells the goods to retailers fraudulently or not[12].

1 An account of profits and an inquiry as to damages are alternative remedies: see para 442 ante. As to the remedy of account generally see EQUITY vol 16(2) (Reissue) para 691 et seq; as to accounts as ancillary to injunctions see INJUNCTIONS vol 24 (Reissue) para 805; and as to disclosure in relation to an account of profits see para 427 ante.

2 *AG Spalding & Bros v AW Gamage Ltd* (1915) 32 RPC 273 at 283, HL, per Lord Parker.
3 *Electrolux Ltd v Electrix Ltd* (1953) 70 RPC 158 at 159. As to the disability of a person in a fiduciary position to make a profit from that position generally see EQUITY vol 16(2) (Reissue) paras 856–858; TRUSTS para 926 et seq post.
4 *Edelsten v Edelsten* (1863) 1 DeGJ & Sm 185 at 199; *Ellen v Slack* (1880) 24 Sol Jo 290; *Slazenger & Sons v Spalding & Bros* [1910] 1 Ch 257, 27 RPC 20.
5 See the Limitation Act 1980 s 23, applying the time limit applicable to the claim which is the basis of the duty to account. See also s 2 (actions founded on tort); and LIMITATION OF ACTIONS vol 28 (Reissue) para 858.
6 See ibid s 32 (as amended); and LIMITATION OF ACTIONS vol 28 (Reissue) para 1119 et seq.
7 See *Electrolux Ltd v Electrix Ltd* (1953) 70 RPC 158 at 159 (order made that the plaintiffs should be entitled to recover any damages proved); *Edward Young & Co Ltd v Holt* (1947) 65 RPC 25 at 31 (plaintiff's delay held justified).
8 *Lever Bros, Port Sunlight Ltd v Sunniwite Products Ltd* (1949) 66 RPC 84 at 102.
9 *Harrison v Taylor* (1865) 12 LT 339; *Ford v Foster* (1872) 7 Ch App 611. As to the effect of delay or acquiescence on the right of action see para 100 ante.
10 *Draper v Trist* [1939] 3 All ER 513 at 522, 56 RPC 429 at 439, CA.
11 See *My Kinda Town Ltd v Soll* [1983] RPC 15, CA (where the principles of an account in a passing off case are discussed); cf *Celanese International Corpn v BP Chemicals Ltd* [1999] RPC 203, [1998] All ER (D) 493 (a patent case).
12 *Lever v Goodwin* (1887) 36 ChD 1 at 7; cited in *Draper v Trist* [1939] 3 All ER 513 at 523, 56 RPC 429 at 439, CA. As to the presumption of damage arising from sales of deceptive goods to a middleman when an inquiry has been ordered as to damages see para 443 ante.

D. NON-PECUNIARY REMEDIES

445. Delivery up of infringing articles or erasure of mark. An order may be made for the delivery up of infringing articles or labels or the erasure of an infringing mark[1]. Where the mark can be erased, the order will be for erasure only[2]. Delivery up is an equitable remedy ancillary to an injunction[3]. It is routine for the order to be accompanied by an order for verification upon oath that erasure or delivery up has been effected. Where the court makes an order for delivery up or erasure, the defendant must pay the costs of complying with that order unless the court orders otherwise[4].

1 *Farina v Silverlock* (1858) 4 K & J 650; *Edelsten v Edelsten* (1863) 1 DeGJ & Sm 185 at 189, 196; *Slazenger & Sons v Feltham & Co* (1889) 6 RPC 531 at 538, CA; cf *Lissen Ltd v Mutton* (1928) 46 RPC 10 (order for delivery up refused in action for passing off). See also *Warwick Tyre Co Ltd v New Motor and General Rubber Co Ltd* [1910] 1 Ch 248, 27 RPC 161.
2 See the cases cited in note 1 supra. See also *County Chemical Co Ltd v Frankenburg* (1904) 21 RPC 722 (no order for delivery up made because the articles could be used legitimately in other ways and because of the plaintiff's delay in beginning the action).
3 As to the statutory power to order the erasure etc of an offending sign see para 446 post; and as to the statutory power to order delivery up of infringing goods etc see paras 461–463 post.
4 *Practice Direction—Patents and Other Intellectual Property Claims* PD63 para 29.1.

446. Statutory power to make order for erasure etc of offending sign. Where a person is found to have infringed[1] a registered trade mark[2], the court[3] may make an order[4] requiring him:

(1) to cause the offending sign to be erased, removed or obliterated from any infringing goods[5], material[6] or articles[7] in his possession, custody or control[8]; or
(2) if it is not reasonably practicable for the offending sign to be erased, removed or obliterated, to secure the destruction of the infringing goods, material or articles in question[9].

If any such order is not complied with, or it appears to the court likely that such an order would not be complied with, the court may order that the infringing goods, material or articles be delivered to such person as the court may direct for erasure, removal or obliteration of the sign, or for destruction, as the case may be[10].

1 For the meaning of 'infringement' see para 84 note 4 ante. As to the acts which amount to infringement, if done without the consent of the proprietor, see the Trade Marks Act 1994 s 10; and para 86 et seq ante.
2 As to the meaning of 'registered trade mark' see para 127 ante.
3 For the meaning of 'the court' see para 349 ante.
4 Trade Marks Act 1994 s 15(1).
5 For the meaning of 'infringing goods' see para 150 ante.
6 For the meaning of 'infringing material' see para 150 ante.
7 For the meaning of 'infringing articles' see para 150 ante.
8 Trade Marks Act 1994 s 15(1)(a).
9 Ibid s 15(1)(b).
10 Ibid s 15(2).

447. Certificate of validity of contested registration. If in proceedings before the court[1] the validity of the registration[2] of a trade mark[3] is contested and it is found by the court that the trade mark is validly registered[4], the court may give a certificate to that effect[5]. If the court gives such a certificate, and in subsequent proceedings[6]:

(1) the validity of the registration is again questioned; and
(2) the proprietor obtains a final order or judgment in his favour,

he is entitled to his costs as between solicitor and client[7] unless the court directs otherwise; but this provision does not extend to the costs of an appeal in any such proceedings[8].

1 For the meaning of 'the court' see para 349 ante.
2 As to the grounds on which the registration of a trade mark may be declared invalid see para 118 et seq ante.
3 For the meaning of 'trade mark' see para 57 ante. This provision also applies if the validity of the protection of a protected international trade mark (UK) is contested: Trade Marks (International Registration) Order 1996, SI 1996/714, art 15(1). For the meaning of 'protected international trade mark (UK)' see para 13 ante.
4 For the meaning of 'registered' see para 19 note 2 ante.
5 Trade Marks Act 1994 s 73(1). There is no longer any express procedure whereby the proprietor can ask the registrar to add to the entry in the register a note that the certificate of validity has been granted in the course of the proceedings. It is, however, likely that in practice an entry would be made. A certificate given before 31 October 1994 under the Trade Marks Act 1938 s 47 (repealed) (certificate of validity of contested registration) has effect as if given under the Trade Marks Act 1994 s 73(1): s 105, Sch 3 para 21. As to the registrar see para 17 ante.
6 Under earlier legislation it was held that 'subsequent proceedings' meant proceedings started after the certificate had been given: *Automatic Weighing Machine Co v International Hygienic Society* (1889) 6 RPC 475 at 480; *Saccharin Corpn Ltd v Anglo-Continental Chemical Works* [1901] 1 Ch 414, 17 RPC 307. That is, however, unlikely to be so held in respect of a certificate issued under the Trade Marks Act 1994 s 73; cf the corresponding position in relation to patents (see *Mölnlyke AB v Procter & Gamble Ltd (No 5)* [1994] RPC 49 at 139, CA). Under previous legislation it was held that there was no appeal against the grant of such a certificate per se: *Haslam Foundry and Engineering Co Ltd v Hall* (1888) 20 QBD 491, 5 RPC 144, CA. The grant is purely discretionary: *Re Impex Electrical Ltd's Trade Marks, Impex Electrical Ltd v Weinbaum* (1927) 44 RPC 405 at 411. It is unlikely that a certificate will be given where the registration is attacked only on the ground of alleged non-use: *Lever Bros, Port Sunlight Ltd v Sunniwite Products Ltd* (1949) 66 RPC 84 at 102.
7 'Solicitor and own client' costs no longer exist as a basis for assessment of costs (formerly known as taxation of costs). Assessment of costs is now either on the standard basis or on the indemnity basis: see CPR Pt 44; and COSTS vol 10 (Reissue) para 6 et seq. It is possible to argue that the reference in the Trade Marks Act 1994 s 73(2) to 'costs as between solicitor and client' is meant to refer to some higher standard but the better view is probably that it simply re-enacts the old provision and that the reference is to be taken to be the nearest equivalent to what was taxation on solicitor and own client basis (i e on the indemnity basis).
8 Ibid s 73(2).

448. Notification of court order to registrar. Where any order of the court affects the validity of an entry in the register, the court and the party in whose favour

the order is made must serve a copy on the registrar within 14 days[1]. Where the order is made in favour of more than one party, a copy must be served by such party as the court directs[2].

1 *Practice Direction—Patents and Other Intellectual Property Claims* PD63 para 22.1, applying para 15.1.

2 *Practice Direction—Patents and Other Intellectual Property Claims* PD63 para 22.1, applying para 15.2.

E. COSTS

449. Costs. Subject to the statutory provision as to the effect of a certificate of validity[1], the costs of proceedings for infringement or passing off are in the discretion of the court and the same general principles apply in determining by whom costs are to be payable as in the case of other actions[2].

A successful party will generally be awarded costs[3]; but under the Civil Procedure Rules costs orders should generally reflect the level of success which he has achieved[4]. Thus where a successful claimant has claimed too widely or has made allegations which he has failed to prove, he may be wholly or partly deprived of costs[5], or may be given the general costs of the action or the costs of claims or issues on which he has succeeded, but ordered to pay the costs of claims or issues on which he has failed[6]. A claimant has been disallowed the costs of unnecessary evidence[7]. Where a claimant has brought an action for infringement and passing off and has succeeded as to one ground of action but failed as to the other, he has been awarded the general costs of the action, but the defendant has been awarded costs on the issue on which the claimant failed and the costs have been set off[8]. Where an offer giving the claimant all to which he is entitled is made by the defendant during proceedings, the costs of continuing proceedings may not be recoverable[9]. The costs of putting innocent third parties on notice are recoverable as damages[10], as are the costs of a prior legal action for disclosure to find out the name of the defendant[11].

A successful defendant may be refused his costs where, for example, he has made unfounded charges of fraud[12], or has by his conduct brought the action on himself[13].

Misrepresentations by the defendant, even if they are not of such a nature as to give the claimant a cause of action, have in many cases led to the defendant's being deprived of costs[14], but this is not a proper course where the misrepresentations have reference to a collateral matter and have nothing to do with the claimant's case[15].

The costs of three counsel have sometimes been allowed[16].

1 See the Trade Marks Act 1994 s 73; and para 447 ante.

2 As to costs generally see CPR Pt 44; and COSTS vol 10 (Reissue) para 6 et seq. CPR 44.3 gives the court a very broad discretion as to the orders it may make in relation to costs. Costs are normally assessed on the standard basis: see CPR 44.4(1); and COSTS vol 10 (Reissue) para 22.

3 See CPR 44.3(2)(a); and COSTS vol 10 (Reissue) para 16. Where a retail trader innocently purchased and dealt with a small quantity of goods which turned out to be an infringement of a trade mark, the court made no order as to costs: *American Tobacco Co v Guest* [1892] 1 Ch 630. As to the costs of the registrar appearing where the relief sought includes revocation, a declaration of invalidity or rectification see para 413 ante.

4 *Phonographic Performance Ltd v AEI Rediffusion Music Ltd* [1999] 2 All ER 299, sub nom *AEI Rediffusion Music Ltd v Phonographic Performance Ltd (No 2)* [1999] 1 WLR 1507, CA.

5 See CPR 44.3(4), (5); and COSTS vol 10 (Reissue) para 17. Cf *Moet v Couston* (1864) 33 Beav 578; *Standish v Whitwell* (1866) 14 WR 512; *Metzler v Wood* (1877) 8 ChD 606; *Findlater, Mackie, Todd & Co Ltd v Henry Newman & Co* (1902) 19 RPC 235; *Montgomerie & Co Ltd v Young Bros* (1903) 20 RPC 781; *OT Ltd v Cumming & Co* (1914) 32 RPC 69, Ct of Sess; *Fram Manufacturing Co Ltd v Eric Morton & Co* (1922) 40 RPC 33, CA; *Joseph Rodgers & Sons Ltd v WN Rodgers & Co* (1924) 41 RPC 277; *John Jaques & Sons Ltd v Chess* [1939] 3 All ER 227, 56 RPC 415 (on appeal [1940] 2 All ER 285, 57 RPC 77, CA). Cf *Jay v Ladler* (1888) 40 ChD 649, 6 RPC 136; *Rowland v Mitchell* (1896) 13 RPC 457; *Hodgson and Simpson v Kynoch* (1898) 15 RPC 465. See, however, notes 2–3 supra.

6 See CPR 44.3(4); *Pierce v Franks* (1846) 15 LJ Ch 122; *Saxlehner v Apollinaris Co* [1897] 1 Ch 893, 14 RPC 645; *GF Hipkins & Sons v Plant* (1898) 15 RPC 294; *Pneumatic Rubber Stamp Co v Lindler* (1898) 15 RPC 525. See, however, notes 2–3 supra.

7 *Daimler Motor Co (1904) Ltd v London Daimler Co Ltd* (1907) 24 RPC 379, CA (half costs of evidence allowed).

8 *Lever Bros Ltd v Bedingfield* (1898) 15 RPC 453; on appeal (1899) 16 RPC 3, CA (where judgment on the issue on which the plaintiff had succeeded in the court below was given for the defendant with costs of the appeal but not of the action); *Natural Chemicals Ltd and Veno's Drug Co Ltd and Irving's Yeast-Vite Ltd (Consolidated) v Amblins (Chemists) Ltd* (1940) 57 RPC 323. See, however, notes 2–3 supra.

9 See para 437 text and notes 11–13 ante. Cf *Colgate-Palmolive Ltd v Markwell Finance Ltd* [1989] RPC 497, CA (where a 'Calderbank' offer was insufficient so the plaintiff recovered its costs).

10 *Dormeuil Frères SA v Feraglow Ltd* [1990] RPC 449.

11 *Morton-Norwich Products Inc v Intercen Ltd (No 2)* [1981] FSR 337.

12 *Baker v Rawson* (1890) 45 ChD 519, 8 RPC 89; *Hargreave v Freeman* [1891] 3 Ch 39, 8 RPC 237. See notes 2–3 supra.

13 *Lambert and Butler Ltd v Goodbody* (1902) 19 RPC 377; and see *Lever Bros Ltd v Bedingfield* (1899) 16 RPC 3, CA; *Claudius Ash Sons & Co v Invicta Manufacturing Co Ltd* (1912) 29 RPC 465, HL. See notes 2–3 supra.

14 *Estcourt v Estcourt Hop Essence Co* (1875) 10 Ch App 276; *Newman v Pinto* (1887) 4 RPC 508, CA; *Thorneloe v Hill* [1894] 1 Ch 569 at 578, 11 RPC 61 at 72; *Lever Bros Ltd v Bedingfield* (1899) 16 RPC 3, CA; *Valentine Meat Juice Co v Valentine Extract Co Ltd* (1899) 17 RPC 1 at 13; *Winser v Armstrong & Co* (1899) 16 RPC 167 at 172; *B Warsop & Sons Ltd v Warsop* (1904) 21 RPC 481; *Cambridge University Press v University Tutorial Press* (1928) 45 RPC 335. See, however, notes 2–3 supra.

15 *F King & Co Ltd v Gillard & Co* [1905] 2 Ch 7, 22 RPC 327, CA. Probably this rule would not apply to such cases as *Estcourt v Estcourt Hop Essence Co* (1875) 10 Ch App 276; *Newman v Pinto* (1887) 4 RPC 508, CA, in each of which the plaintiff had a cause of action, but failed because of fraud of which the defendant was equally guilty. See notes 2–3 supra.

16 Such costs were granted in *Re Burroughs, Wellcome & Co's Trade Mark* (1905) 22 RPC 164; *Re Crosfield & Sons Ltd's Application* (1910) 27 RPC 433; *Adrema Ltd v Adrema-Werke GmbH and BEM Business Efficiency Machines Ltd* [1958] RPC 323. They were, however, refused in *Mercedes Daimler Motor Co Ltd v FIAT Motor Cab Co Ltd* (1913) 31 RPC 8; *Bentley Motors (1931) Ltd v Lagonda Ltd and Bentley, Re Bentley (1931) Ltd's Trade Mark No 528,124* (1947) 64 RPC 33. See also BARRISTERS vol 3(1) (2005 Reissue) para 700. See notes 2–3 supra.

F. INTERIM AND SUMMARY REMEDIES

450. Interim injunction. The general principles as to the grant of interim injunctions are discussed elsewhere in this work[1]. However, in actions for passing off or for infringement of a registered trade mark the prospects of the claimant's success[2] are often bound up with the question of whether damages are an adequate remedy. Thus where the claimant alleges that the defendant's mark is confusingly similar to his own, the question whether damages are an adequate remedy to the claimant will depend largely upon the court's assessment of whether there will be significant confusion pending trial, and this is a key question in assessing liability itself[3]. Further, it seems likely, at least in trade mark and passing off cases, that in the absence of a serious conflict of evidence relating to primary facts the court will pay greater attention to the claimant's prospects of success than it might otherwise pay[4], as in that type of case the result of the application is likely to be determinative of the action[5]. Where damages are not an adequate remedy to either party, the court must choose the course which appears to involve the least risk of causing injustice[6]. There are cases where it would be inappropriate to grant an interim injunction unless the claimant accepts a similar restraint[7].

Where the claimant seeks to restrain a competitor from comparative advertising on the ground of trade mark infringement, no interim injunction should be granted unless the court is satisfied that the claimant is more likely than not to succeed on trial[8].

Delay in seeking an interim injunction normally affects the status quo of the parties but is not always fatal[9], although it is hard to convince a court that a claimant who has

delayed is really suffering serious and irreparable damage[10]. The claimant is required to give a cross-undertaking in damages if he is to be awarded an interim injunction[11].

The terms of an interim injunction should normally be limited to what is necessary to protect the claimant pending trial[12]; and the injunction should be drafted so as to define what the defendant may not do without a dependence upon the legal right, as otherwise enforcement will require proof of infringement or passing off on a contempt motion[13].

Applications for interim injunctions are sometimes resolved by the defendant's giving an undertaking to the court[14]. Where this is done, the claimant may not normally seek a wider injunction on a subsequent occasion pending trial[15], nor may a defendant who has given such an undertaking withdraw it merely because he gave the undertaking on a mistaken view of the law[16]. Applications for interim injunctions often result in orders for a speedy trial[17].

1 See INJUNCTIONS vol 24 (Reissue) para 853 et seq; PRACTICE AND PROCEDURE. See, in particular, *American Cyanamid Co v Ethicon Ltd* [1975] AC 396, [1975] 1 All ER 504, [1975] RPC 513, HL (a patent infringement case), where the general principles as to the grant of interim injunctions were recast. The principles of *American Cyanmid Co v Ethicon Ltd* supra apply also to actions for passing off: *County Sound plc v Ocean Sound Ltd* [1991] FSR 367, CA.

2 'The court must be satisfied that the claim is not frivolous or vexatious, in other words that there is a serious question to be tried': *American Cyanamid Co v Ethicon Ltd* [1975] AC 396 at 408, [1975] 1 All ER 504 at 510, [1975] RPC 513 at 541, HL, per Lord Diplock. For the meaning of 'frivolous or vexatious' and 'serious question to be tried' in the context of interim injunctions see further *Mothercare Ltd v Robson Books Ltd* [1979] FSR 466 (passing off).

3 See *Sirdar Ltd v Les Fils de Louis Mulliez and Orsay Knitting Wools Ltd* [1975] FSR 309 at 312–313 per Graham J. Once the claimant has established an arguable case, it is likely, however, that damages will not be an adequate remedy. There will be the substantial difficulty of establishing the extent of confusion and damage, and quantification of that: see eg *Morgan-Grampian plc v Training Personnel Ltd* [1992] FSR 267; *Antec International Ltd v South Western Chicks (Warren) Ltd* [1997] FSR 278. If, however, the risk of deception is not great so that the consequences to the claimant are not likely to be severe, an injunction may be refused: *Management Publications Ltd v Blenheim Exhibitions Group plc* [1991] FSR 348 (affd [1991] FSR 550, CA); *Financial Times Ltd v Evening Standard Co Ltd* [1991] FSR 7; *Stacey v 2020 Communications plc* [1991] FSR 49.

4 See *Newsweek Inc v British Broadcasting Corpn* [1979] RPC 441, CA; *Alfred Dunhill Ltd v Sunoptic SA* [1979] FSR 337, CA; *County Sound plc v Ocean Sound Ltd* [1991] FSR 367, CA; *Tamworth Herald Co Ltd v Thomson Free Newspapers Ltd* [1991] FSR 337; *United Biscuits (UK) Ltd v Burton Biscuits Ltd* [1992] FSR 14; *Advance Magazine Publishing Inc v Redwood Publishing Ltd* [1993] FSR 449.

5 See *British Broadcasting Corpn v Talbot Motor Co Ltd* [1981] FSR 228; *Parmass/Pelly Ltd v Hodges* [1982] FSR 329. This is especially so if the injunction is to be granted, for then the defendant will have to change to another name or mark pending trial and is unlikely, having established that name or mark, to change back if he is successful at the trial. Other cases where this factor was taken into account include *Boots Co Ltd v Approved Prescription Services Ltd* [1988] FSR 45, CA; *Post Office v Interlink Express Parcels Ltd* [1989] FSR 369; *Stacey v 2020 Communications plc* [1991] FSR 49; *Gala of London Ltd v Chandler Ltd* [1991] FSR 294; *Management Publications Ltd v Blenheim Exhibitions Group plc* [1991] FSR 348 (affd [1991] FSR 550, CA); *Blazer plc v Yardley & Co Ltd* [1992] FSR 501. In all these cases the claimant, though having an 'arguable' case, did not have a strong one.

6 *NWL Ltd v Woods, The Nawala* [1979] 3 All ER 614, [1979] 1 WLR 1294, HL; *Cayne v Global Natural Resources plc* [1984] 1 All ER 225, CA.

7 See eg *Nationwide Building Society v Nationwide Estate Agents Ltd* [1987] FSR 579 (where both parties were trying to establish the word 'Nationwide' for an estate agency business and the court took the view that the plaintiff might establish an unfair commercial advantage by way of building up a reputation pending trial if the defendant alone were restrained).

8 See the Human Rights Act 1998 s 12(3); and CONFIDENCE AND DATA PROTECTION vol 8(1) (2003 Reissue) para 418. See also *Boehringer Ingelheim Ltd v Vetplus Ltd* [2007] EWCA Civ 583, [2007] All ER (D) 221 (Jun). When the urgency of the matter does not permit full consideration of the merits, a lesser probability of success will suffice: *Red Dot Technologies Ltd v Apollo Fire Detectors Ltd* [2007] EWHC 1166 (Ch). The rule against prior restraint established in *Bonnard v Perryman* [1891] 2 Ch 269 (in the interests of freedom of speech, the courts will not restrain the publication of a defamatory statement, whether a trade libel or a personal one, where the defendant says he is going to justify it at the trial of the action,

except where the statement is obviously untruthful and libellous) does not apply to trade mark or passing off cases: *Boehringer Ingelheim Ltd v Vetplus Ltd* supra.

9 See eg *CPC (United Kingdom) Ltd v Keenan* [1986] FSR 527 ('Oxbridge' marmalade); *Cavendish House (Cheltenham) Ltd v Cavendish Woodhouse Ltd* [1970] RPC 234, CA.

10 See eg *Gala of London Ltd v Chandler Ltd* [1991] FSR 294.

11 See INJUNCTIONS vol 24 (Reissue) para 982 et seq. It is not fatal to the claimant's case if he cannot show sufficient assets to be good for the cross-undertaking, but that is a factor to be taken into account: *Allen v Jambo Holdings Ltd* [1980] 2 All ER 502, [1980] 1 WLR 1252, CA. Where the claimant is abroad, the undertaking in damages can be given by a solvent party within the jurisdiction: see eg *Hobart Manufacturing Co v Cannon Industries Ltd* [1959] RPC 269.

12 See eg *Biro Swan Ltd v Tallon Ltd* [1961] RPC 326. See also INJUNCTIONS vol 24 (Reissue) paras 864–865.

13 See para 440 ante.

14 See *Showerings Ltd v Mecca Ltd* [1957] RPC 217; *Copydex Ltd v Noso Products Ltd* (1952) 69 RPC 38; *Coca Cola Co v AG Barr & Co Ltd* [1961] RPC 387, Ct of Sess. If a perpetual undertaking is offered on the hearing of an interim injunction, this should be recited in the order: *Stillitz v Jones and Higgins Ltd* (1942) 60 RPC 15.

15 *GCT (Management) Ltd v Laurie Marsh Group Ltd* [1973] RPC 432.

16 *Chanel Ltd v FW Woolworth & Co Ltd* [1981] 1 All ER 745, [1981] 1 WLR 485, CA.

17 For this reason interim injunctions are much less common than was formerly the case. In some cases trials have taken place within two or three months of proceedings being commenced. This means that the balance of convenience is quite different to a situation where the trial will not take place for a year or more.

451. Without notice interim injunctions. Interim injunctions, like other interim remedies, may be granted on application without notice if it appears to the court that there are good reasons for not giving notice[1]. This would be the case if the matter is so urgent that there is not time to give notice, or if the giving of notice would frustrate the purpose of the application. Normally, particularly where the defendant has been given no informal notice, such injunctions are confined to cases of fraud or near fraud. Without notice interim injunctions are often awarded together with search orders and similar relief against counterfeiters and dealers in counterfeit goods[2].

1 CPR 25.3(1). If an application is made without notice, the evidence in support must state the reasons for not giving notice: CPR 25.3(3).

2 As to search orders see para 452 post.

452. Search orders and interim delivery-up orders. On the application of the claimant without notice[1], the court has power to order a defendant to permit the search of the defendant's premises for articles and documents relating to the alleged wrongdoing[2]. This power is exercised only where the claimant shows a strong prima facie case[3]. In relation to actions for passing off or infringement of a registered trade mark, this form of order is normally made only in cases of counterfeiting, as it is only in those cases that the court can be convinced of the need for the exercise of this powerful remedy[4]. Alternatively, a lesser form of order may be made requiring immediate delivery up but stopping short of requiring the defendant to permit a search[5].

1 As to the making of applications without notice see para 451 text and note 1 ante.

2 CPR 25.1(1)(h). Such orders were formerly known as 'Anton Piller' orders, after *Anton Piller KG v Manufacturing Processes Ltd* [1976] Ch 55, [1976] 1 All ER 779, [1976] RPC 719, CA. They are now called search orders and are regulated by the Civil Procedure Act 1997 s 7(1); and *Practice Direction—Interim Injunctions* PD25 paras 7.1–7.11. The practice direction also specifies the normal form of the search order and makes provision for its execution to be supervised by a 'supervising solicitor' of requisite experience who acts as an officer of the court and is independent of the claimants' solicitors. Normally, the application is heard in private, as any kind of advance warning would defeat the purpose of the order.

3 See INJUNCTIONS vol 24 (Reissue) para 873.

4 It is in the public interest to suppress as soon as possible the fraud on the public involved in the public sale of counterfeit product; and although enforcement of the order is a matter of discretion, the principle of

the rule of law requires that the court should not be deflected from requiring disclosure by allegations that the person concerned will be subjected to violence if he complies: *Coca Cola Co v Gilbey* [1996] FSR 23, CA.

5 See *Universal City Studios Inc v Mukhtar & Sons* [1976] 2 All ER 330, [1976] 1 WLR 568.

453. Disclosure of names of infringers. By interim procedures[1], a claimant can compel a defendant, and also an innocent person who, through no fault of his own and whether voluntarily or not, has become mixed up in wrongful conduct, to give disclosure of the name of the infringer or other wrongdoers[2]; where a defendant is himself the primary alleged wrongdoer, disclosure of his customers' names may be given at the interim stage[3], but this is unlikely in cases where liability is in doubt[4]. Such disclosure is, however, routinely given in cases of counterfeiting, and may be given without notice[5]. The claimant will normally have to pay the costs of the innocent person, but can recover them from the wrongdoer[6].

Where the purpose of the application for disclosure is to enable the claimant to discover the name of the infringer, it is not necessary to seek the leave of the court to use the information obtained for that purpose[7]. If, however, the claimant wishes to use the information obtained for some other purpose, for example to take proceedings abroad, then he may need the leave of the court[8].

1 See *RCA Corpn v Reddingtons Rare Records* [1975] 1 All ER 38, [1974] 1 WLR 1445, [1975] RPC 95.

2 See *Norwich Pharmacal Co v Customs and Excise Comrs* [1974] AC 133, [1973] 2 All ER 943, [1974] RPC 101, HL; *X Ltd v Morgan Grampian (Publishers) Ltd* [1991] 1 AC 1, [1990] 2 All ER 1, HL; *Ashworth Hospital Authority v MGN Ltd* [2002] UKHL 29, [2002] 4 All ER 193, HL; *Interbrew SA v Financial Times Ltd* [2002] EWCA Civ 274, [2002] 2 Lloyd's Rep 229, CA. Disclosure may also be obtained of the identities of persons who are not wrongdoers: *CHC Software Care Ltd v Hopkins & Wood* [1993] FSR 241; *P v T* [1997] 4 All ER 200, [1997] 1 WLR 1309. As to the availability of the remedy of interim disclosure see CPR 25.1(1)(i), (j); and PRACTICE AND PROCEDURE vol 37 (Reissue) para 862. As to the principles of applying for disclosure before proceedings have commenced, or against a person who is not party to proceedings, see CPR 31.16–18; and PRACTICE AND PROCEDURE vol 37 (Reissue) paras 207, 562.

3 See *Intelsec Systems Ltd v Grech-Cini* [1999] 4 All ER 11, [2000] 1 WLR 1190.

4 *Freedman v Hillingdon Shirts Co Ltd* [1975] FSR 449.

5 See *EMI Ltd v Sarwar and Haidar* [1977] FSR 146, CA (where the order for discovery was given in conjunction with an Anton Piller order (as to which see para 452 ante)). As to the making of applications without notice see para 451 text and note 1 ante.

6 *Totalise plc v The Motley Fool Ltd* [2001] EWCA Civ 1897, [2003] 2 All ER 972, [2002] 1 WLR 1233.

7 *Sony Corpn v Anand* [1981] FSR 398; *Roberts v Jump Knitwear Ltd* [1981] FSR 527.

8 See eg *Crest Homes plc v Marks* [1987] AC 829, [1987] 2 All ER 1074, HL; and INJUNCTIONS vol 24 (Reissue) paras 872, 874.

454. Protective injunction against non-infringer. If a person has in his possession or control goods the dissemination of which, whether in the way of trade or, possibly, merely by way of gifts[1], will infringe another's trade mark[2], then, as soon as he is aware of this fact, he becomes subject to an equitable duty not to allow those goods to pass out of his possession or control, at any rate in circumstances in which the proprietor of the mark might be injured by an ensuing infringement. The person having the goods in his possession or control must not aid the infringement by letting the goods get into the hands of those who may use them or deal with them in a way which will invade the proprietor's rights, as, even though by doing so he might not himself infringe the trade mark, he would be in dereliction of his duty to the proprietor. This duty is one which will, if necessary, be enforced in equity by way of injunction[3].

The claimant will normally have to pay the costs of the innocent person, but can recover them from the wrongdoer[4]. This kind of injunction may be especially useful in putting a stop to infringement while the true infringer is located or identified.

1 See *Upmann v Forester* (1883) 24 ChD 231.

2 Or, it would seem, result in passing off, at least where the goods constitute instruments of deception: see para 331 ante.
3 See *Norwich Pharmacal Co v Customs and Excise Comrs* [1974] AC 133 at 146, [1972] 3 All ER 813 at 823, [1972] RPC 743 at 771, CA, per Buckley LJ; revsd on other grounds [1974] AC 133, [1973] 2 All ER 943, [1974] RPC 101, HL.
4 *Smith Kline and French Laboratories Ltd v RD Harbottle (Mercantile) Ltd* [1980] RPC 363; *Morton-Norwich Products Inc v Intercen Ltd (No 2)* [1981] FSR 337; cf *Miller Brewing Co v Mersey Docks and Harbour Co* [2003] EWHC 1606 (Ch), [2004] IP & T 542, [2004] FSR 81.

455. Freezing injunctions. In certain circumstances the court may grant an injunction, on application without notice[1], restraining the defendant from removing his assets from the jurisdiction or otherwise dealing with them in such a way that they would no longer be available to satisfy the claimant's judgment[2]. Such an injunction may be of particular importance in cases of counterfeiting, where defendants seldom voluntarily pay damages. A freezing injunction is often sought together with a search order[3] and a disclosure order[4].

1 As to the making of applications without notice see para 451 text and note 1 ante.
2 CPR 25.1(1)(f). Such injunctions are known as 'freezing injunctions'; they were formerly known as 'Mareva' injunctions, after *Mareva Compania Naviera SA v International Bulkcarriers SA, The Mareva* [1980] 1 All ER 213n, CA, but now fall within the scope of CPR Pt 25. A party may also be directed to provide information about relevant property or assets which are or may be the subject of an application for a freezing injunction: CPR 25.1(1)(g). For forms of the freezing injunction see *Practice Direction—Interim Injunctions* PD25.
3 As to search orders see para 452 ante.
4 As to disclosure orders see para 453 ante.

456. Summary judgment. Summary judgment is available in cases involving passing off and infringement of a registered trade mark in accordance with general principles[1]. In general it will be easier to show that there is no real prospect of success in a case of infringement than in a case of passing off, as in most infringement cases the claimant's title will be effectively beyond challenge and there may be little dispute about the nature of the defendant's acts[2].

1 See CPR Pt 24; and PRACTICE AND PROCEDURE vol 37 (Reissue) para 921 et seq.
2 See *Sony Corpn v Anand (No 2)* [1982] FSR 200 (where the plaintiff was content to take an inquiry as to damages for infringement, leaving his other monetary claims (for passing off and infringement of copyright) until after the trial of the main action). For an example of summary judgment in a trade mark case see *Origin Natural Resources Inc v Origin Clothing Ltd* [1995] FSR 280; but see *Bolton Pharmaceutical Co 100 Ltd v Doncaster Pharmaceuticals Group Ltd* [2006] EWCA Civ 661, [2006] All ER (D) 289 (May), sub nom *Doncaster Pharmaceuticals Group Ltd v Bolton Pharmaceutical Co 100 Ltd* [2007] FSR 63 (summary judgment must be confined to appropriate cases).

(6) OTHER COURT CLAIMS

(i) Claims for a Declaration of Non-infringement and in Respect of Groundless Threats

457. In general. A claim may be brought for a declaration of non-infringement of a registered trade mark under the court's inherent jurisdiction where the defendant has asserted a contrary right or formulated an adverse claim[1]. There are no special procedural rules applicable to such claims, which are essentially claims for infringement in reverse[2].

A claim may also be brought in relation to groundless threats of infringement proceedings seeking a declaration that the threats are unjustifiable, an injunction against the continuance of the threats, and damages in respect of any loss sustained as a result of the threats[3]. There are no special procedural rules applicable to such claims[4].

1 See *L'Oréal (UK) Ltd v Johnson & Johnson* [2000] FSR 686, [2000] All ER (D) 290.
2 Since the burden of proof is on the claimant, however, the claimant may fail for want of proof that his acts do not infringe: see *Point Solutions Ltd v Focus Business Solutions Ltd* [2007] EWCA Civ 14, [2007] All ER (D) 160 (Jan) (a copyright case).
3 Ie under the Trade Marks Act 1994 s 21: see paras 123–125 ante.
4 Note, however, that once the claimant proves a threat, the burden of justifying that threat by showing that the claimant has or would infringe falls on the defendant: see ibid s 21(3); and para 124 ante.

(ii) Claims for Revocation, Declaration of Invalidity and Rectification

458. In general. An application for revocation, for a declaration of invalidity or for rectification of the register[1] in relation to a United Kingdom registered trade mark, or an application for revocation or a declaration of invalidity of the protection of a protected international trade mark (UK)[2], may be made to the court[3] by any person[4]. A claim form relating to such a claim may be served on the proprietor[5]:

(1) at the address for service[6] given in the United Kingdom register, provided that the address is within the jurisdiction[7]; or
(2) in accordance with the relevant rules[8] at the address for service given in the United Kingdom register or the register of the Office for Harmonisation in the Internal Market[9].

Where a claim is made for the rectification[10] of the register, the claimant must at the same time as serving the other parties serve a copy of the claim form and any accompanying documents on the registrar[11].

The normal rules as to disclosure and evidence apply to claims for revocation, declarations of invalidity and rectification.

Where an order of the court affects the validity of an entry in the register, the court and the party in whose favour the order is made must serve a copy of the order on the registrar within 14 days[12]. Where the order is made is favour of more than one party, a copy must be served on such party as the court directs[13].

1 As to these applications and the circumstances in which they are appropriate see paras 114–121 ante; as to the additional grounds for revocation or of invalidity of a collective mark see paras 163–164 ante; and as to the additional grounds for revocation or invalidity of a certification mark see paras 174–175 ante.
2 See the Trade Marks (International Registration) Order 1996, SI 1996/714, art 13; and paras 114–117, 119, 396 ante. For the meaning of 'protected international trade mark (UK)' see para 13 ante.
3 For the meaning of 'the court' see para 349 ante.
4 Trade Marks Act 1994 s 46(4) (revocation), s 47(3) (declaration of invalidity), s 64(2) (rectification). Except in certain circumstances, the applicant may also bring the claim before the registrar: see para 396 ante. As from 1 October 2007, so much of s 47(3) as provides that any person may make an application for a declaration of invalidity has effect subject to the Trade Marks (Relative Grounds) Order 2007, SI 2007/1976, art 5 (not yet in force (see para 119, note 5, 8 ante): art 5(3) (not yet in force). As to the meaning of 'any person' see para 396 note 3 ante.
5 For the meaning of 'proprietor' see para 22 note 8 ante.
6 As to the provision of an address for service see para 357 ante.
7 CPR 63.16(2)(a).
8 Ie CPR 6.19(1) or CPR 6.19(1A).
9 CPR 63.16(2)(b).
10 Although the rule only refers to 'rectification', it would seem that it should apply to claims for revocation or a declaration of invalidity as well.
11 *Practice Direction—Patents and Other Intellectual Property Claims* PD63 para 23.1. As to the registrar's appearance in such proceedings see para 460 post. As to the registrar see para 17 ante.
12 *Practice Direction—Patents and Other Intellectual Property Claims* PD63 para 22.1, applying para 15.1
13 *Practice Direction—Patents and Other Intellectual Property Claims* PD63 para 22.1, applying para 15.2.

459. Registrar's power to apply for declaration of invalidity. In the case of bad faith in the registration of a trade mark[1], the registrar[2] may himself apply to the court[3] for a declaration of invalidity of the registration[4].

1 As to the requirements for registration see para 55 et seq ante; and as to the procedure on the application see para 352 et seq ante. As to the meaning of 'trade mark' see para 57 ante.
2 As to the registrar see para 17 ante.
3 For the meaning of 'the court' see para 349 ante.
4 Trade Marks Act 1994 s 47(4). There seems to be no express power of the registrar to apply for rectification in relation to other matters affecting the register. Under the Trade Marks Act 1938 s 32(3) (repealed) the registrar's power to apply in case of fraud extended not only to registration but also to assignment and transmission. For the meaning of 'registration' see para 19 note 2 ante.

460. Registrar's appearance in proceedings involving the register. In proceedings before the court[1] involving an application for:

(1) the revocation of the registration of a trade mark[2];
(2) a declaration of the invalidity of the registration of a trade mark[3]; or
(3) the rectification of the register[4],

the registrar[5] is entitled to appear and be heard, and must appear if so directed by the court[6].

Unless otherwise directed by the court, the registrar may instead of appearing submit to the court a statement in writing signed by him, giving particulars of:

(a) any proceedings before him in relation to the matter in issue;
(b) the grounds of any decision given by him affecting it;
(c) the practice of the Patent Office[7] in like cases; or
(d) such matters relevant to the issues and within his knowledge as registrar as he thinks fit,

and the statement is deemed to form part of the evidence in the proceedings[8].

Anything which the registrar is or may be authorised or required to do under the above provisions may be done on his behalf by a duly authorised officer[9].

1 For the meaning of 'the court' see para 349 ante.
2 As to the revocation of the registration of a trade mark see paras 114 et seq, 396 et seq ante; as to the additional grounds for revocation of a collective mark see para 163 ante; and as to the additional grounds for revocation of a certification mark see para 174 ante.
3 As to the invalidity of the registration of a trade mark see paras 118 et seq, 396 et seq ante; as to the additional ground of invalidity of a collective mark see para 164 ante; and as to the additional ground of invalidity of a certification mark see para 175 ante.
4 As to rectification of the register see paras 121, 396 et seq ante.
5 As to the registrar see para 17 ante.
6 Trade Marks Act 1994 s 74(1).
7 As to the Patent Office, its organisation and seal see para 14 note 2 ante; and PATENTS AND REGISTERED DESIGNS vol 35 (Reissue) paras 666–667. Note that the Patent Office is now operating under the name 'the UK Intellectual Property Office' ('UK-IPO'): see the UK Intellectual Property Office Name Change Fact Sheet.
8 Trade Marks Act 1994 s 74(2).
9 Ibid s 74(3).

(iii) Claims for Delivery Up and Disposal

461. Statutory power to order delivery up of infringing goods etc. The proprietor of a registered trade mark[1] may apply to the court[2] for an order for the delivery up to him, or such other person as the court may direct, of any infringing goods[3], material[4] or articles[5] which a person has in his possession, custody or control in the course of a business[6]. An application may not, however, be made after the end of the period after which the remedy of delivery up is not available[7]; and no order may be made unless the court also makes, or it appears to the court that there are grounds for making, an order[8] as to the disposal of infringing goods etc[9].

A person to whom any infringing goods, material or articles are delivered up in pursuance of an order under these provisions[10] must, if an order as to the disposal of infringing goods etc[11] is not made, retain them pending the making of such an order, or the decision not to make such an order[12].

Nothing in the above provisions affects any other power of the court[13].

1 For the meaning of references to the proprietor of a registered trade mark in the provisions relating to infringement see the Trade Marks Act 1994 s 31(1), (2); and para 419 text and note 5 ante. As to the meaning of 'registered trade mark' see para 127 ante. These provisions equally apply to protected international trade marks (UK): see the Trade Marks (International Registration) Order 1996, SI 1996/714, art 17; and para 140 ante.
2 For the meaning of 'the court' see para 349 ante.
3 For the meaning of 'infringing goods' see para 150 ante.
4 For the meaning of 'infringing material' see para 150 ante.
5 For the meaning of 'infringing articles' see para 150 ante.
6 Trade Marks Act 1994 s 16(1). For the meaning of 'business' see para 32 note 3 ante. As to the period after which the remedy of delivery up is not available see para 462 post; and as to disposal of infringing goods etc see para 463 post. The proprietor of a registered trade mark must notify any exclusive licensee before applying for an order under s 16: see s 31(7); and para 419 ante.

Section 16 applies to infringing goods, material or articles whether made before, on or after 31 October 1994: s 105, Sch 3 para 5.

There is no specific requirement in s 16(1) that the person against whom an application is made is an infringer. It is possession, custody or control of infringing goods in the course of a business which suffices. Thus a carrier or warehouseman, for example, could be made the subject of an application under s 16. An application under s 16 may be made at the same time as an application under s 19 (as amended) (see para 463 post): *Miller Brewing Co v Mersey Docks and Harbour Co* [2003] EWHC 1606 (Ch), [2004] IP & T 542, [2004] FSR 81.
7 Ie the end of the period specified in the Trade Marks Act 1994 s 18: see para 462 post.
8 Ie an order under ibid s 19 (as amended): see para 463 post.
9 Ibid s 16(2). See also note 6 supra.
10 Ie an order under ibid s 16.
11 See note 8 supra.
12 Trade Marks Act 1994 s 16(3). See also note 6 supra.
13 Ibid s 16(4). See also note 6 supra.

462. Period after which statutory remedy of delivery up not available. An application for an order for delivery up of infringing goods, material or articles[1] may not be made after the end of the period of six years from:

(1) in the case of infringing goods[2], the date on which the trade mark[3] was applied to the goods or their packaging[4];
(2) in the case of infringing material[5], the date on which the trade mark was applied to the material[6]; or
(3) in the case of infringing articles[7], the date on which they were made[8],

except as mentioned in the provisions described below[9].

If during the whole or part of that period the proprietor of the registered trade mark[10] is under a disability[11] or is prevented by fraud or concealment from discovering the facts entitling him to apply for an order, an application may be made at any time before the end of the period of six years from the date on which he ceased to be under a disability or, as the case may be, could with reasonable diligence have discovered those facts[12].

1 Ie an order under the Trade Marks Act 1994 s 16: see para 461 ante.
2 For the meaning of 'infringing goods' see para 150 ante.
3 As to the meaning of 'trade mark' see para 57 ante.
4 Trade Marks Act 1994 s 18(1)(a).
5 For the meaning of 'infringing material' see para 150 ante.
6 Trade Marks Act 1994 s 18(1)(b).
7 For the meaning of 'infringing articles' see para 150 ante.
8 Trade Marks Act 1994 s 18(1)(c).

9 Ibid s 18(1). See the text to notes 10–12 infra. As to disposal of infringing goods etc see para 463 post.
10 For the meaning of references to the proprietor of a registered trade mark in the provisions relating to infringement see ibid s 31(1), (2); and para 419 note 5 ante. As to the meaning of 'registered trade mark' see para 127 ante.
11 For these purposes, 'disability' has the same meaning as in the Limitation Act 1980 (see s 38(2)–(4) (as amended); and LIMITATION OF ACTIONS vol 28 (Reissue) para 1068): Trade Marks Act 1994 s 18(3).
12 Ibid s 18(2).

463. Order as to disposal of infringing goods etc. Where infringing goods[1], material[2] or articles[3] have been delivered up in pursuance of an order for delivery up[4], an application may be made to the court[5]:

(1) for an order that they be destroyed or forfeited to such person as the court may think fit[6]; or
(2) for a decision that no such order should be made[7].

In considering what order, if any, should be made, the court must consider whether other remedies available in an action for infringement[8] of the registered trade mark[9] would be adequate to compensate the proprietor[10] and any licensee[11] and protect their interests[12].

Provision must be made by rules of court as to the service of notice on persons having an interest in the goods, material or articles[13], and any such person is entitled:

(a) to appear in proceedings for a disposal order, whether or not he was served with notice; and
(b) to appeal against any order made, whether or not he appeared,

and an order does not take effect until the end of the period within which notice of an appeal may be given or, if before the end of that period notice of appeal is duly given, until the final determination or abandonment of the proceedings on the appeal[14].

Where there is more than one person interested in the goods, material or articles, the court must make such order as it thinks just[15].

If the court decides that no disposal order should be made, the person in whose possession, custody or control the goods, material or articles were before being delivered up is entitled to their return[16].

1 For the meaning of 'infringing goods' see para 150 ante.
2 For the meaning of 'infringing material' see para 150 ante.
3 For the meaning of 'infringing articles' see para 150 ante.
4 Ie an order under the Trade Marks Act 1994 s 16: see para 461 ante.
5 Ibid s 19(1). For the meaning of 'the court' see para 349 ante.
6 Ibid s 19(1)(a).
7 Ibid s 19(1)(b).
8 For the meaning of 'infringement' see para 84 note 4 ante. As to the acts which amount to infringement, if done without the consent of the proprietor, see ibid s 10; and para 86 et seq ante.
9 As to the meaning of 'registered trade mark' see para 127 ante.
10 For the meaning of references to the proprietor of a registered trade mark in the provisions relating to infringement see the Trade Marks Act 1994 s 31(1), (2); and para 419 text and note 5 ante.
11 For the meaning of 'licensee' see para 136 note 7 ante. As to licences see paras 136–137 ante.
12 Trade Marks Act 1994 s 19(2). Section 19(2) applies in relation to an authorised user of a registered collective mark or a registered certification mark as in relation to a licensee of a trade mark: see ss 49(2), 50(2), Sch 1 para 11(b), Sch 2 para 13(b); and paras 162, 173 ante.
13 For these purposes, references to a person having an interest in goods, material or articles include any person in whose favour an order could be made under ibid s 19; the Registered Designs Act 1949 s 24D (as added) (see PATENTS AND REGISTERED DESIGNS); the Copyright, Designs and Patents Act 1988 s 114, s 204 or s 231 (all as amended) (see COPYRIGHT, DESIGN RIGHT AND RELATED RIGHTS vol 9(2) (2006 Reissue) paras 422, 535, 713); or the Community Designs Regulations 2005, SI 2005/2339, reg 1C (as added) (see PATENTS AND REGISTERED DESIGNS): Trade Marks Act 1994 s 19(6) (amended by the Intellectual Property (Enforcement etc) Regulations 2006, SI 2006/1028, art 2(2), Sch 2 para 16).
14 Trade Marks Act 1994 s 19(3). At the date at which this volume states the law neither CPR Pt 63 nor *Practice Direction—Patents and Other Intellectual Property Claims* PD63 contains any such rules, although

para 26.1 contains rules relating to the corresponding provisions under the Copyright, Designs and Patents Act 1988. It appears that this is an oversight.

15 Trade Marks Act 1994 s 19(4).

16 Ibid s 19(5).

6. HALLMARKS, ARMS, EMBLEMS AND BUSINESS NAMES

(1) HALLMARKING

(i) The Legislation

464. History. From a very early date the standard and marking of gold and silver plate have been enforced by statute[1]. In 1300 it was ordained that no goldsmith of England or in the King's dominion should make any vessel, jewel or anything of gold or silver except of a certain alloy[2] and should not part with possession until it was assayed and marked by the wardens of the goldsmith craft in London[3]. The marks commonly known as hallmarks consist of the maker's or sponsor's mark and the assay marks denoting the standard, place and year of assay[4].

1 The earliest statute is an ordinance of 22 Hen 3 ('De auro fabricando in Civitate Londoniarum') (1238): see the *Report of the Departmental Committee on Hallmarking* (Cmnd 663) (1959) para 22.

2 The ordinance 28 Edw 1 c 20 (Vessels of gold, assaying etc) (1300) (repealed) laid down 'the touch of Paris' (i e 19½ carats) as the standard for gold, and the sterling standard (i e 925 parts per 1,000) as the standard for silver. For a summary of the history of the legislation of hallmarking see the *Report of the Departmental Committee on Hallmarking* (Cmnd 663) (1959) para 20 et seq. See also *Westwood v Cann* [1952] 2 QB 887, [1952] 2 All ER 349, CA.

3 See 28 Edw 1 c 20 (Vessels of gold, assaying etc) (1300) (repealed).

4 See the *Report of the Departmental Committee on Hallmarking* (Cmnd 663) (1959) paras 104–110. As to sponsor's marks see para 478 post; and as to assay marks see para 468 note 11 post.

465. Current legislation. Following the *Report of the Departmental Committee on Hallmarking*[1] the substantial body of old statutes concerned with hallmarking were repealed and replaced by a new code contained in the Hallmarking Act 1973. That Act and the orders made under it form the current legislation[2]. That Act expressly relates only to the hallmarking of articles of gold, silver or platinum[3]; but the Secretary of State[4] may at any time by order, either on the application of the British Hallmarking Council or, if the Secretary of State thinks fit, of his own volition after consultation with the Council, apply the provisions of that Act (or such of them as may be specified in any such order) to any other metal than gold, silver and platinum and subject to such amendments and adaptations as may be specified in the order[5].

A number of the enforcement provisions of the Trade Descriptions Act 1968[6] are applied in relation to the enforcement of the Hallmarking Act 1973[7]. In addition the Hallmarking Act 1973 may be enforced under the Enterprise Act 2002[8] in certain circumstances[8].

Any local statutory provision[9] which was inconsistent with any provision of the Hallmarking Act 1973 ceased to have effect[10].

1 Ie the *Report of the Departmental Committee on Hallmarking* (Cmnd 663) (1959).

2 The Hallmarking Act 1973 came into operation on 1 January 1975 except for s 13, Sch 4 (as amended) (see para 483 post) which came into operation on 1 January 1974: s 24(2).

3 For the definition of 'precious metal' see ibid s 22(1); and para 468 note 8 post.

4 As to the Secretary of State see para 14 ante.

The Secretary of State may cause a local inquiry to be held in connection with the discharge of any of his functions under the Hallmarking Act 1973 or in any case where it appears to him to be expedient to do so in connection with any matter arising under that Act or any of the functions of assay offices or the British Hallmarking Council: ss 20(1), 22(1). In relation to any inquiry so held the provisions of the Local Government Act 1972 s 250(2)–(5) (as amended) (evidence and costs at local inquiries: see LOCAL GOVERNMENT vol 29(1) (Reissue) para 113) apply as if the inquiry were held in pursuance of s 250(1) save that s 250(4) (as amended) (costs of department) applies only in a case where the Secretary of State so directs: Hallmarking Act 1973 s 20(1)(a). The person appointed to hold such an inquiry must report

the results thereof in writing to the Secretary of State, who must publish the report together with such observations, if any, as he thinks fit to make thereon: s 20(2). For these purposes, 'functions' includes powers and duties: s 22(1). For the meaning of 'assay office' see para 469 post; and as to the British Hallmarking Council see paras 482–484 post.

A local inquiry held under s 20(1) is designated for the purposes of the Tribunals and Inquiries Act 1992 s 16(2) (see ADMINISTRATIVE LAW vol 1(1) (2001 Reissue) para 15): see the Tribunals and Inquiries (Discretionary Inquiries) Order 1975, SI 1975/1379, art 3, Schedule Pt II para 104.

5 Hallmarking Act 1973 s 17(1). Any such order may contain such incidental, consequential and supplementary provisions as the Secretary of State thinks necessary or expedient for the purposes of the order, including provisions applying, extending, excluding or amending, or repealing or revoking, with or without savings, any provisions of the Hallmarking Act 1973 or an instrument thereunder: s 17(2). As to the making of orders generally see para 466 post. At the date at which this volume states the law no such order had been made.

6 As to the Trade Descriptions Act 1968 generally see SALE OF GOODS AND SUPPLY OF SERVICES vol 41 (2005 Reissue) para 471 et seq.

7 See the Hallmarking Act 1973 s 9; and para 485 post.

8 Ie the Enterprise Act 2002 Pt 8 (ss 210–236): see TRADE, INDUSTRY AND INDUSTRIAL RELATIONS.

9 See para 485 post.

10 For these purposes, 'local statutory provision' means a provision of a local Act, including an Act confirming a provisional order, or a provision of a public general Act passed with respect only to any particular locality, or a provision of an instrument made under any such local or public general Act or of an instrument in the nature of a local enactment made under any other Act, or a provision of a charter or franchise: Hallmarking Act 1973 s 22(1).

11 Ibid s 18(1). The Secretary of State may on the application of an assay office or, if he thinks fit, of his own volition, but in either case subject to the provisions of s 18, by order repeal or amend any local statutory provision where it appears to him that that provision is inconsistent with, or has become unnecessary in consequence of, any provision of the Hallmarking Act 1973: s 18(2). Before making such an order the Secretary of State must consult with any person or body representative of persons who appear to him to be concerned: s 18(3). Such an order may contain such transitional, supplemental or incidental provisions as appear to the Secretary of State to be expedient: s 18(4). At the date at which this volume states the law no such order had been made.

466. Making of regulations and orders. The Secretary of State[1] may make regulations under the Hallmarking Act 1973 for any purpose for which regulations are authorised or required to be made by him under that Act[2]. Any such power to make regulations is exercisable by statutory instrument, and any instrument containing any such regulations is subject to annulment in pursuance of a resolution of either House of Parliament[3].

Any power conferred by the Hallmarking Act 1973 to make an order includes a power to vary or revoke the order by a subsequent order[4]. Any such power to make orders is exercisable by statutory instrument[5].

1 As to the Secretary of State see para 14 ante.

2 Hallmarking Act 1973 s 21(1).

3 Ibid s 21(2).

4 Ibid s 21(3).

5 Ibid s 21(4). An order may not be made under s 16 (see para 470 post) unless a draft of the order has been approved by a resolution of each House of Parliament (s 21(5)); and any statutory instrument containing an order under s 14 (see para 483 post) is subject to annulment in pursuance of a resolution of either House of Parliament (s 21(6)).

(ii) Hallmarks and Assay Offices

467. Prohibited descriptions of unhallmarked articles. Any person who, in the course of a trade or business[1]:

(1) applies[2] to an unhallmarked article[3] a description[4] indicating that it is wholly or partly made of gold, silver or platinum[5]; or

(2) supplies, or offers to supply[6], an unhallmarked article to which such a description is applied[7],

is guilty of an offence[8] unless, in the case of a description, it is a permitted description[9] or, in the case of an article, it is exempt[10].

In any proceedings for such an offence it is a defence for the person charged to prove that, in reliance on information supplied by another person, he believed that the article concerned was one which was exempt from hallmarking[11] and that he could not with reasonable diligence have ascertained that it was not such an article[12].

1 'In the course of trade or business' is defined neither in the Hallmarking Act 1973 nor in the Trade Descriptions Act 1968 to which many of the provisions of the Hallmarking Act 1973 refer. Cf the Fair Trading Act 1973 s 137(2) ('business' includes a professional practice and includes any other undertaking which is carried on for gain or reward or which is an undertaking in the course of which goods or services are supplied otherwise than free of charge: see TRADE, INDUSTRY AND INDUSTRIAL RELATIONS vol 47 (2001 Reissue) para 115). Clearly the trade or business need not be retail, nor need the offender's trade or business be that of conducting the particular transaction concerned: *Havering London Borough Council v Stevenson* [1970] 3 All ER 609, [1970] 1 WLR 1375, DC (car hire firm selling its used cars held to be doing so in the course of its trade or business as a car hire firm); cf *Davies v Sumner* [1984] 1 WLR 405, DC (affd [1984] 3 All ER 831, [1984] 1 WLR 1301, HL) (false representation by a self-employed courier as to the mileage of a car sold by him held not to be a false trade description). The trade or business need not be full-time: cf *Stevenson v Beverley Bentinck Ltd* [1976] 2 All ER 606, [1976] 1 WLR 483, CA (meaning of 'private purchaser' in the Hire-Purchase Act 1964); *Re Griffin, ex p Board of Trade* (1890) 60 LJQB 235 at 237, CA, per Lord Esher MR; *Abernethie v AM and J Kleiman Ltd* [1970] 1 QB 10, [1969] 2 All ER 790, CA (meaning of 'business' in the Landlord and Tenant Act 1954 Pt II (ss 23–46) (as amended): see LANDLORD AND TENANT vol 27(2) (2006 Reissue) para 707). On the other hand some degree of regularity is required (*Davies v Sumner* supra); cf *R & B Customs Brokers Co Ltd v United Dominions Trust Ltd* [1988] 1 All ER 847, [1988] 1 WLR 321, CA (meaning of 'in the course of a business' in the Unfair Contract Terms Act 1977 s 12: see SALE OF GOODS AND SUPPLY OF SERVICES vol 41 (2005 Reissue) para 450); *Pensher Security Door Co Ltd v Sunderland City Council* [2000] RPC 249, CA (meaning of 'in the course of business' in the Copyright, Patents and Designs Act 1988 s 23: see COPYRIGHT, DESIGN RIGHT AND RELATED RIGHTS vol 9(2) (2006 Reissue) para 330); but see *Stevenson v Rogers* [1999] QB 1028, [1999] 1 All ER 613, CA ('in the course of business' in the Sale of Goods Act 1979 s 14(2) (see SALE OF GOODS AND SUPPLY OF SERVICES vol 41 (2005 Reissue) para 80) covered any sale by a business). The words cover the business of buying as well as that of selling (*Fletcher v Budgen* [1974] 2 All ER 1243, [1974] 1 WLR 1056, DC) and are to be treated as wide in scope (*Fletcher v Budgen* supra; and see *Fletcher v Sledmore* [1973] RTR 371, DC). They do not, however, cover cases where false trade descriptions are applied to goods otherwise than in association with a contract for the sale or supply of goods (*Wickens Motors (Gloucester) Ltd v Hall* [1972] 3 All ER 759, sub nom *Hall v Wickens Motors (Gloucester) Ltd* [1972] 1 WLR 1418, DC (false trade description applied well after sale held not to be applied in the course of a trade or business)), but it is not necessary that the description is applied by a directly contracting party (*Fletcher v Sledmore* supra).

2 The Trade Descriptions Act 1968 s 4 (meaning of 'applies' in relation to the applying of a trade description: see SALE OF GOODS AND SUPPLY OF SERVICES vol 41 (2005 Reissue) para 478) applies for the purposes of the Hallmarking Act 1973 s 1: s 1(7)(b). A trade description or statement published in any newspaper, book or periodical or in any film or sound or television broadcast or in any programme included in any programme service within the meaning of the Broadcasting Act 1990 (see TELECOMMUNICATIONS AND BROADCASTING vol 45(1) (2005 Reissue) para 328), other than a sound or television broadcasting service is not deemed to be a description applied in the course of a trade or business unless it is or forms part of an advertisement: Trade Descriptions Act 1968 s 39(2) (amended by the Broadcasting Act 1990 s 203(1), Sch 20 para 11); applied by the Hallmarking Act 1973 s 1(9). 'Advertisement' includes a catalogue, a circular and a price list: s 1(7)(a). As to advertisements see also note 8 infra.

3 For the meaning of 'unhallmarked article' see para 474 post.

4 Where a description relates to the fineness of gold or silver, the Hallmarking Act 1973 s 1(6), Sch 1 Pt III (use of the words 'carats', 'sterling' and 'Britannia': see para 477 post) applies for construing that description: s 1(5). For the meaning of 'fineness' see para 468 note 9 post.

5 Ibid s 1(1)(a).

6 For these purposes, a person exposing articles for supply, or having articles in his possession for supply, 'offers to supply' them: ibid s 1(7)(c).

7 Ibid s 1(1)(b).

8 Ibid s 1(1). The offence under s 1(1)(b) (see head (2) in the text) does not require proof of mens rea: see *Chilvers v Rayner* [1984] 1 All ER 843, [1984] 1 WLR 328, DC. As to offences generally see para 486 post. The Secretary of State may by order: (1) prescribe any cases or circumstances in which the Hallmarking Act 1973 s 1(1) is, or is not, to apply; and (2) add to, amend or repeal all or any of the

provisions of Sch 1 Pt I (paras 1, 2) (see para 475 post), Sch 1 Pt II (paras 1–18) (as amended) (see para 476 post) or Sch 1 Pt III (paras 1–3) (see para 477 post); and (3) make any consequential amendments in s 1: Sch 1 Pt IV para 1(1). Such an order may contain such supplemental or incidental provisions as appear to the Secretary of State to be expedient or necessary and is subject to annulment in pursuance of a resolution of either House of Parliament: Sch 1 Pt IV para 1(2). As to the orders made, and as to the articles thus exempted, see para 476 post; and as to the making of orders generally see para 466 ante. As to the Secretary of State see para 14 ante.

Where in an advertisement a description is used in relation to any class of articles, the description is to be taken as referring to all articles of the class, whether or not in existence at the time the advertisement is published: (1) for the purpose of determining whether an offence has been committed under s 1(1)(a) (see head (1) in the text); and (2) where articles of the class are supplied or offered to be supplied by a person publishing or displaying the advertisement, also for the purpose of determining whether an offence has been committed under s 1(1)(b) (see head (2) in the text): s 1(8)(a), (b). In determining whether any goods are of a class to which a trade description used in an advertisement relates, regard is to be had not only to the form and content of the advertisement but also to the time, place, manner and frequency of its publication and all other matters making it likely or unlikely that a person to whom the goods are supplied would think of the goods as belonging to the class in relation to which the trade description is used in the advertisement: Trade Descriptions Act 1968 s 5(3); applied by the Hallmarking Act 1973 s 1(8).

In proceedings for an offence under the Hallmarking Act 1973 committed by the publication of an advertisement, it is a defence for the person charged to prove that he is a person whose business it is to publish or arrange for the publication of advertisements and that he received the advertisement for publication in the ordinary course of business and did not know and had no reason to suspect that its publication would amount to an offence under that Act: s 8, Sch 3 para 5.

9 Ibid s 1(2). See Sch 1 Pt I; and para 475 post.

10 Ibid s 1(3). See Sch 1 Pt II (as amended); and para 476 post.

11 Ie by virtue of ibid Sch 1 Pt II (as amended): see para 476 post.

12 Ibid Sch 3 para 6.

468. Approved hallmarks. 'Approved hallmarks' means:

(1) marks struck by an assay office[1] in the United Kingdom[2], whether before, on or after 1 January 1975, under the law for the time being in force[3];

(2) marks struck by the Wardens and Commonalty of Goldsmiths of the City of Dublin before 1 April 1923[4];

(3) convention hallmarks[5]; or

(4) EEA hallmarks[6].

Subject to the relevant statutory provisions[7], any article of precious metal[8] which is submitted to an assay office for hallmarking and which upon assay is found in all its parts to be of a standard of fineness[9] not less than the minimum fineness[10] for that precious metal must be struck by that assay office with the approved hallmarks[11]. Hallmarking is not permitted, however, unless the assay office is of opinion that the use of any solder or adhesive in the article is not excessive and that solder complies with the specified requirements[12]. An article comprised of more than one precious metal part must be struck with the approved hallmarks only if the assay office is of the opinion that a person will be able to determine, when the article is hallmarked, which part is made of which precious metal[13].

If an assay office has refused to hallmark an article submitted to it for hallmarking and the person submitting the article has referred the matter to the British Hallmarking Council in writing, the Council must consider the case, and, if it is of the opinion that the assay office was acting unreasonably in refusing to hallmark the article, it must direct the assay office to strike the article with the approved hallmarks[14].

After consulting the Council and such other persons as he thinks fit[15], the Secretary of State may make regulations wholly or partly varying, supplementing or replacing the statutory provisions as to approved hallmarks and the procedures relating to them[16].

Any dealer[17] must keep exhibited at all times, in a conspicuous position in a part of his premises to which those with whom he deals are commonly admitted, a notice in

terms approved and in a form supplied by the Council describing such approved hallmarks and including such explanatory matter as the Council thinks fit[18]. It is an offence for any dealer to fail to exhibit or keep exhibited a notice required to be so exhibited[19].

1 For the meaning of 'assay office' see para 469 post.
2 For the meaning of 'United Kingdom' see para 3 note 2 ante.
3 Hallmarking Act 1973 s 2(1)(a).
4 Ibid s 2(1)(b).
5 Ibid s 2(1)(c), (2). For the meaning of 'convention hallmarks' see para 472 post.
6 Ibid s 2(1)(d), (2) (s 2(1)(d) added, and s 2(2) amended, by the Hallmarking (Hallmarking Act Amendment) Regulations 1998, SI 1998/2978, reg 2(2), (3)). For the meaning of 'EEA hallmarks' see para 473 post.
7 Ie subject to the Hallmarking Act 1973 s 4, Sch 2 (as amended): see note 11 infra.
8 For these purposes, 'precious metal', in relation to any article, means gold, silver or platinum, or any other metal to which the provisions of the Hallmarking Act 1973 are applied by an order under s 17 (see para 465 ante): s 22(1).
9 For these purposes, 'fineness', in relation to any precious metal, means the number of parts by weight of that fine metal in 1,000 parts by weight of alloy: ibid s 22(1). 'Standard of fineness' means any one of the standards of fineness specified in Sch 2 Pt I para 2 col 2 (see note 11 infra); and reference to an article as being of one of those standards means that the article is of a fineness in all its parts of not less than that standard: s 22(1).
10 For these purposes, 'minimum fineness', in relation to any precious metal, means the lowest standard of fineness specified for a precious metal, namely for gold the standard of 375, for silver the standard of 800, and for platinum the standard of 850: ibid s 22(1) (definition amended by the Hallmarking (Hallmarking Act Amendment) Regulations 1998, SI 1998/2978, reg 2(13)). See also para 477 post.
11 Hallmarking Act 1973 s 4(1). As respects articles comprised of a single precious metal, the marks to be struck are the assay office mark, the standard mark, the pictorial mark, the date letter and any additional mark directed under Sch 2 (as amended): see s 4(1)(a) (amended by the Hallmarking (Hallmarking Act Amendment) Regulations 1998, SI 1998/2978, reg 2(7)).

The pictorial mark, the date letter and the optional additional mark may be struck only if a request to that effect is made by the person who submits the article to the assay office, but the absence of such mark does not in itself render the article unhallmarked: Hallmarking Act 1973 s 4(2) (substituted by the Hallmarking (Hallmarking Act Amendment) Regulations 1998, SI 1998/2978, reg 2(8)). See also Case C-293/93 *Straffesag v Houtwipper* [1994] ECR I-4249, [1995] All ER (EC) 163, ECJ; and paras 473–474 post.

The details of these marks are set out in the Hallmarking Act 1973 Sch 2 Pt I (paras 1–5) (substituted by the Hallmarking (Hallmarking Act Amendment) Regulations 1998, SI 1998/2978, reg 2(15)), and are as follows:

1 The assay office mark. This is a leopard's head for the London assay office; a castle for the Edinburgh assay office; an anchor for the Birmingham assay office; and a rose for the Sheffield assay office (see the Hallmarking Act 1973 Sch 2 Pt I para 1 (as so substituted)).
2 The standard mark. This depends on the standard of fineness and is: (a) in relation to gold: (i) 375 for a standard of fineness of 375; (ii) 585 for a standard of fineness of 585; (iii) 750 for a standard of fineness of 750; (iv) 916 for a standard of fineness of 916.6; (v) 990 for a standard of fineness of 990; and (vi) 999 for a standard of fineness of 999; (b) in relation to silver: (i) 800 for a standard of fineness of 800; (ii) 925 for a standard of fineness of 925; (iii) 958 for a standard of fineness of 958.4; and (iv) 999 for a standard of fineness of 999; and (c) in relation to platinum: (i) 925 for a standard of fineness of 925; (ii) 950 for a standard of fineness of 950; and (iii) 999 for a standard of fineness of 999 (see Sch 2 Pt I para 2 (as so substituted)).
3 The optional pictorial mark. This is: (a) a crown for gold with a standard of fineness of 375, 585, 750, 916.6, 990, or 999; (b) a lion passant or, in relation to the Edinburgh assay office, a lion rampant for silver with a standard of fineness of 925, 958.4 or 999; and (c) an orb surmounted by a cross for platinum with a standard of fineness of 950 or 999 (see Sch 2 Pt I para 3 (as so substituted)).
4 Optional date letter. Such distinct variable letter of the alphabet to denote the year in which the article is marked as may be for the time being directed in writing by the Council (Sch 2 Pt I para 4 (as so substituted)).
5 Optional additional mark. Such mark (if any) as may be for the time being directed in writing by the Council (Sch 2 Pt I para 5 (as so substituted)).

As respects articles comprised of two or more precious metals, marks are struck in accordance with Sch 2 Pt II (paras 6–15) (substituted by the Hallmarking Act 1973 (Amendment) Regulations 2007,

SI 2007/872, reg 2(1), (6), Schedule) (Hallmarking Act 1973 s 4(1)(b)); and as respects articles comprised of precious metal and other materials marks are struck in accordance with Sch 2 Pt III (paras 16–19) (substituted by the Hallmarking Act 1973 (Amendment) Regulations 2007, SI 2007/872, reg 2(1), (6), Schedule) (Hallmarking Act 1973 s 4(1)(c)). As respects all such articles, marks must be struck in compliance with any directions given by the British Hallmarking Council pursuant to Sch 2 Pt IV para 20 (renumbered by the Hallmarking Act 1973 (Amendment) Regulations 2007, SI 2007/872, reg 2(1), (7)) with respect to any shield or other border by which any approved hallmark is to be enclosed: Hallmarking Act 1973 s 4(1). As to the British Hallmarking Council see paras 482–484 post. For the meaning of 'assay office' see para 469 post.

12 Ibid s 4(3)(a), (b) (amended by the Hallmarking (Approved Hallmarks) Regulations 1986, SI 1986/1757, reg 2(b)). No article may be struck with the approved hallmarks unless: (1) except in a case where the assay office otherwise permits, any solder used in an article of: (a) gold, is gold of a fineness not less than the standard of fineness of the article, save that solder used in any article (i) of a standard of fineness of 916.6 or above may be of a fineness not less than 750; and (ii) of filigree work or being a watch case and in either case of a standard of fineness of 750 may be of a fineness not less than 740; and (iii) of white gold of a standard of fineness of not less than 585 and not more than 750 may be of a fineness not less than 500; (b) silver, is silver of a fineness not less than 650; (c) platinum, is gold, silver, platinum or palladium or a combination of two or more thereof and is of a fineness or, as the case may be, of a combined fineness not less than the standard of fineness of the article; and (2) solder of a fineness less than the standard of fineness of the article or adhesive is used in a quantity not more than is necessary for joining parts of the article and is not used for strengthening, weighting, filling or otherwise: Hallmarking Act 1973 s 4(3)(b) (amended by the Hallmarking (Approved Hallmarks) Regulations 1986, SI 1986/1757, reg 2(c), (d); and the Hallmarking (Hallmarking Act Amendment) Regulations 1998, SI 1998/2978, reg 2(9), (10)).

13 Hallmarking Act 1973 s 4(3A) (added by the Hallmarking Act 1973 (Amendment) Regulations 2007, SI 2007/872, reg 2(1), (3)).

14 Hallmarking Act 1973 s 4(5). It is the duty of an assay office to which such a direction has been given to comply with the direction: s 4(6).

15 As to the holding of a local inquiry see para 465 note 4 ante.

16 Hallmarking Act 1973 s 4(7)(a). Upon the coming into operation of regulations so made the provisions of Sch 2 (as amended) (see note 11 supra), or such of them as may be specified in such regulations together with any regulations or directions made or given under those provisions, have effect as so varied or supplemented or, as the case may be, cease to have effect: s 4(7)(a).

Such regulations may contain such transitional, incidental, supplementary or consequential provision as the Secretary of State considers necessary or expedient for the purpose of the regulations, including provision applying, extending, excluding or amending, or repealing or revoking with or without savings, any provision of the Hallmarking Act 1973 or an instrument thereunder: s 4(7)(b). As to the making of regulations generally see para 466 ante. At the date at which this volume states the law the Hallmarking (Hallmarking Act Amendment) Regulations 1998, SI 1998/2978, and the Hallmarking Act 1973 (Amendment) Regulations 2007, SI 2007/872 (see the text and notes 1–13 supra) had been made. As to the Secretary of State see para 14 ante.

17 For these purposes, 'dealer' means a person engaged in the business of making, supplying, selling (including selling by auction) or exchanging articles of precious metal or in other dealings in such articles: Hallmarking Act 1973 s 22(1).

18 Ibid s 11(1). The Council may make a reasonable charge for the supply of any copy of a notice required to be exhibited: s 11(2).

19 Ibid s 11(1). As to offences see para 486 post.

469. The assay offices. 'Assay office' means each of the following bodies[1]:

(1) the Wardens and Commonalty of the Mystery of Goldsmiths of the City of London ('the London Assay Office');

(2) the Incorporation of Goldsmiths of the City of Edinburgh ('the Edinburgh Assay Office');

(3) the Guardians of the Standard of Wrought Plate in Birmingham ('the Birmingham Assay Office');

(4) the Guardians of the Standard of Wrought Plate within the town of Sheffield ('the Sheffield Assay Office'),

and any other body duly authorised under any enactment, order, charter or franchise[2] for the assaying and hallmarking of precious metals[3].

The powers and duties of assay offices are prescribed by statute[4].

Nothing contained in the Hallmarking Act 1973 renders any assay office liable as respects any damage caused by it to any article in the reasonable exercise or, as the case may be, discharge of any of the powers and duties conferred or imposed upon it by that Act[5].

Her Majesty's Mint[6] may at any time and from time to time as thought fit in normal office hours visit any assay office for the purpose of inspecting the assay department of that office and of ascertaining and assessing the accuracy and efficiency of its methods and procedures of assay; and a report on the assay department of each assay office must be prepared once in every period of 14 months by the Queen's Assay Master and presented to the Deputy Master of Her Majesty's Mint, copies of such reports having first been sent to the British Hallmarking Council and the assay office concerned[7].

Every assay office has power to make charges for assaying and hallmarking articles of precious metals not exceeding, in the case of articles manufactured in, or intended for sale or supply in, the United Kingdom[8], such charges as are for the time being directed in writing by the British Hallmarking Council[9].

It is the duty of an assay office to comply with directions and regulations issued by the British Hallmarking Council[10].

1 Hallmarking Act 1973 s 22(1). References in the Hallmarking Act 1973 to an assay office include, as respects an assay office which is engaged in the business of an assay office and which carries on any other activity, reference to so much only of the undertaking of that assay office as relates wholly to its business as such an assay office and as may be certified in that behalf by that assay office: s 22(2).

2 This includes a body for the time being established under ibid s 16(1)(a) (see para 470 head (1) post) and also, where the context so admits, a body which, whilst it has been so authorised at any time before or after the passing of the Hallmarking Act 1973, has since being so authorised been dissolved or has ceased business in such assaying and hallmarking: s 22(1). For the meaning of 'precious metal' see para 468 note 8 ante.

3 Ibid s 22(1).

4 See the text and notes 5–10 infra; and paras 470–471 post.

5 Hallmarking Act 1973 s 15(2).

6 As to Her Majesty's Mint see MONEY vol 32 (2005 Reissue) para 106.

7 Hallmarking Act 1973 s 15(1), Sch 5 para 3(1). If such assay methods, in the opinion of Her Majesty's Mint, are not of such a standard as will enable that assay office to report accurately on the fineness of any article, or articles, of precious metal, then Her Majesty's Mint must notify the British Hallmarking Council and the assay office forthwith and make to each of them such recommendations as appear requisite in relation to such assay methods; and the Council must consult with the assay office as to the action to be taken upon each such recommendation: Sch 5 para 3(2). Her Majesty's Mint is entitled to make a reasonable charge to each assay office in respect of the performance of its functions under Sch 5 para 3: Sch 5 para 3(3). For the meaning of 'fineness' see para 468 note 9 ante; and for the meaning of 'functions' see para 465 note 4 ante. As to the British Hallmarking Council see paras 482–484 post.

8 For the meaning of 'United Kingdom' see para 3 note 2 ante.

9 Hallmarking Act 1973 s 12(1). The Secretary of State may, however, from time to time give to the Council and to assay offices such directions as he considers expedient in relation to charges made under s 12(1): s 12(1) proviso. Subject to s 12(1), every assay office has power to make for services and facilities provided by it such charges as it from time to time thinks fit: s 12(2). As to the power of the Council to set maximum charges which may be made by assay offices see para 482 post. As to the Secretary of State see para 14 ante.

10 See ibid s 13(3); and para 482 post.

470. Orders constituting, dissolving etc or conferring powers on assay offices. The Secretary of State[1] may at any time by order[2]:

(1) on the application of the British Hallmarking Council[3], provide for the constitution of an assay office[4] at such place as may be specified in the order[5]; or

(2) on the application of the Council, provide for the closure and dissolution of any assay office or its amalgamation with another assay office[6]; or

(3) on the application of the London Assay Office, confer, vary or abolish duties or

powers imposed or conferred on the assay office under any local statutory provision affecting its undertaking, and for that purpose repeal or amend any such provision[7];

(4) on the application of any of the Edinburgh, Birmingham or Sheffield Assay Offices vary or abolish duties or powers imposed or conferred on the assay office by any local statutory provision affecting its undertaking, and for that purpose repeal or amend any such provision or, on such an application, impose new duties on or confer new powers on, or make alterations or additions to or omissions from the constitution of, the assay office[8].

Before making an application for an order under head (2) above, the applicants must consult the assay office on the subject of the proposed order and, if so requested by the assay office, must submit to the Secretary of State a draft of the proposed order and such written observations as the assay office may make to the applicants within the period of 42 days after being so consulted; and, following the submission of such a draft and observations, the applicants must take no further steps in connection with the proposed application pending a decision of the Secretary of State, who must give written notice to the applicants and the assay office either that he refuses to consider such an application or that it is (without prejudice, however, to subsequent refusal thereof) to be allowed to proceed[9].

On application for any order under heads (1) to (4) above the applicants must submit to the Secretary of State a draft of the order which they desire him to make and must publish once at least in each of two successive weeks in one or more newspapers circulating in the locality wherein the assay office the subject of the order carries on or is intended to carry on business, as the case may be[10], a notice:

(a) stating the general effect of the order[11];

(b) specifying a place in that area where a copy of the draft order may be inspected by any person free of charge at all reasonable hours during a period of 28 days from the date of the first publication of the notice[12]; and

(c) stating that, within that period, any person may object to the application by notice to the Secretary of State[13].

Not later than the date on which the notice is first published the applicants must, if the Secretary of State so requires, serve a copy of the notice and of the draft order on any person specified by the Secretary of State[14].

The applicants must also publish in the Gazette[15] a notice stating that they are about to apply for an order[16], naming the county and district in the locality wherein the assay office the subject of the order carries on or is intended to carry on business, as the case may be, specifying a place where a copy of the draft order may be inspected, and giving the name and date of issue of a local newspaper in which the notice explaining the effect of the order applied for will be found[17].

At the request of any person interested the applicants must furnish to him a copy of the draft order upon payment of such charge as they think reasonable not exceeding 50 pence or such higher sum as the Secretary of State may from time to time authorise in writing[18].

The Secretary of State may make an order in the terms of the draft submitted to him or in those terms as modified in such manner as he thinks fit, but, where he proposes to make any modification which appears to him substantially to affect the character of the order as applied for, he must take such steps as appear to him to be sufficient and reasonably practicable for informing the applicants and other persons likely to be concerned and must not make the order until such period for consideration of, and comment upon, the proposed modifications as he thinks reasonable has elapsed[19].

If, before the expiration of the specified period[20], an objection is received by the Secretary of State from any person appearing to him to be affected by the application or, as the case may be, by the proposed modification, and the objection is not withdrawn, the Secretary of State, before making an order on the application, must (unless he is of opinion that the objection is frivolous or too trivial to warrant the holding of an inquiry or hearing with respect to it) either cause a local inquiry to be held or afford to the objector and to the applicants, as well as to any other persons to whom it appears to the Secretary of State expedient to afford it, an opportunity of appearing before, and being heard by, a person appointed by the Secretary of State for the purpose[21].

On the making of an order[22] the Secretary of State must give notice of the making of the order and the effect thereof to any person who has objected thereto[23] and has not withdrawn that objection and in that case the order does not have effect until the expiration of 28 days from the date of the notice; and if within that period any person gives notice to the Secretary of State that he objects to the order and the objection is not withdrawn, the order is subject to special parliamentary procedure[24].

The costs[25] incurred by the Secretary of State in connection with the making and notification of an order[26] must be paid by the applicants[27].

If he thinks fit and after consultation with the Council and any assay office appearing to him to be concerned, the Secretary of State may, without application to him by the Council or an assay office, make an order for any of the purposes mentioned in heads (1) to (4) above[28].

1 As to the Secretary of State see para 14 ante.

2 Such an order may not, however, be made unless a draft of the order has been approved by a resolution of each House of Parliament: Hallmarking Act 1973 s 21(5). Any order so made may contain such incidental, consequential and supplementary provisions as the Secretary of State thinks necessary or expedient for the purposes of the order, including provisions for the amendment, adaptation or repeal of any local statutory provision: s 16(3). For the meaning of 'local statutory provision' see para 465 note 10 ante. As to the making of orders generally see para 466 ante.

3 As to the British Hallmarking Council see paras 482–484 post.

4 For the meaning of 'assay office' see para 469 ante.

5 Hallmarking Act 1973 s 16(1)(a).

6 Ibid s 16(1)(b).

7 Ibid s 16(1)(c).

8 Ibid s 16(1)(c) (retrospectively amended in its application to the Birmingham, Edinburgh and Sheffield Assay Offices by the Birmingham Assay Office Act 1995; the Edinburgh Assay Office Order Confirmation Act 1995; and the Sheffield Assay Office Act 1995). In exercise of the power so conferred the Secretary of State has made the Sheffield Assay Office Order 1978, SI 1978/639 (amended by SI 1991/1997); the Edinburgh Assay Office Order 1979, SI 1979/1587 (amended by SI 1989/992; SI 1991/1997; SI 1993/2135); and the Birmingham Assay Office Order 1989, SI 1989/900 (amended by SI 1991/1997).

9 Hallmarking Act 1973 s 16(4), Sch 6 Pt I para 1. Where the Secretary of State exercises his power to make such an order himself under s 16(2) (see the text and note 28 infra) he must consult, in relation to head (1) and head (2) in the text, the Council, and in relation to head (3) in the text, the assay office: Sch 6 Pt I paras 1, 2 (modified by Sch 6 Pt II para 11(a)).

10 Ibid Sch 6 Pt I para 2. This provision is modified so as to omit mention of the application, the applicants etc where the Secretary of State makes an order himself under s 16(2): see note 9 supra.

11 Ibid Sch 6 Pt I para 2(a).

12 Ibid Sch 6 Pt I para 2(b).

13 Ibid Sch 6 Pt I para 2(c).

14 Ibid Sch 6 Pt I para 3. This provision does not apply where the Secretary of State exercises his power to make such an order himself under s 16(2) (see the text and note 28 infra): Sch 6 Pt II para 11(b).

15 For these purposes, 'the Gazette' means in relation to publication of a notice as respects an order concerning an assay office carrying on or intended to carry on business: (1) in England and Wales, the London Gazette; (2) in Scotland, the Edinburgh Gazette; and (3) in Northern Ireland, the Belfast Gazette: ibid Sch 6 Pt I para 10.

16 Ie under ibid s 16: see the text and notes 1–8 supra.

17 Ibid Sch 6 Pt I para 4. Where the Secretary of State exercises his power to make such an order himself under s 16(2) (see the text and note 28 infra), the duty of publication under Sch 6 Pt I para 4 falls upon him: Sch 6 Pt II para 11(c).

18 Ibid Sch 6 Pt I para 5. Where the Secretary of State exercises his power to make such an order himself under s 16(2) (see the text and note 28 infra), the duty of furnishing information under Sch 6 Pt I para 5 falls upon him: Sch 6 Pt II para 11(c).

19 Ibid Sch 6 Pt I para 6. This provision is modified, mutatis mutandis, where the Secretary of State exercises his power to make such an order himself under s 16(2) (see the text and note 28 infra): Sch 6 Pt II para 11(d).

20 Ie the period of 28 days referred to in ibid Sch 6 Pt I para 2 (see the text and notes 10–13 supra) or the period of 25 days from the publication of the notice in the Gazette or any period specified in the notices given under Sch 6 Pt I para 6 (see the text and note 19 supra).

21 Ibid Sch 6 Pt I para 7. This provision is modified, mutatis mutandis, where the Secretary of State exercises his power to make such an order himself under s 16(2) (see the text and note 28 infra): Sch 6 Pt II para 11(e). As to the holding of a local inquiry see para 465 note 4 ante.

22 Ie an order to which ibid Sch 6 Pt I applies.

23 Ie under ibid Sch 6 Pt I paras 1–7: see the text and notes 9–21 supra.

24 Ibid Sch 6 Pt I para 8. Special parliamentary procedure is regulated by the Statutory Orders (Special Procedure) Act 1945: see PARLIAMENT vol 34 (Reissue) para 912 et seq.

25 Ie including any costs incurred in relation to any such order under the Statutory Orders (Special Procedure) Act 1945.

26 Ie an order under the Hallmarking Act 1973 Sch 6 Pt I.

27 Ibid Sch 6 Pt I para 9. This provision does not apply where the Secretary of State exercises his power to make such an order himself under s 16(2) (see the text and note 28 infra): Sch 6 Pt II para 11(b).

28 Ibid s 16(2). In relation to any order under s 16(2) various provisions of Sch 6 Pt I have effect subject to modifications: see Sch 6 Pt II para 11; and notes 9–10, 14, 17–19, 21, 27 supra.

471. Powers and duties of assay offices. An assay office[1] may refuse to assay or mark any new ware[2] if it is submitted at a stage of its manufacture which is unreasonable for assaying of and striking of marks on the new ware[3].

Upon receipt of any article submitted to an assay office for assay and hallmarking, the assay office must examine the same to ascertain whether it is in its opinion sufficiently advanced in workmanship and, if composed of one or more parts, whether all the parts are present, and also whether the article complies with the conditions of the Hallmarking Act 1973 so as to permit it to be struck with the approved hallmarks[4]; and, if the assay office is dissatisfied as respects any of such matters, it must return the article without making an assay thereof[5].

If, upon receipt and view of any article submitted to an assay office for assay and hallmarking, the assay office suspects that other materials than precious metal[6] of not less than the minimum fineness[7] therefor have been introduced or concealed in any such article, the assay office may cause the same to be cut[8]; and, if upon cutting:

(1) any such other materials are found therein, the article must be broken and defaced and it, or the value thereof, is forfeited to the assay office and applied towards its general expenses[9];

(2) no such other materials are found therein, the assay office, but not any other person, is liable in damages to any person interested in the article[10].

An assay office may[11] cause to be drawn, scraped, cut or otherwise removed from an article submitted to it such quantity of precious metal or take such other sample or do such other thing as may be necessary to enable an accurate assay to be made of the article and may retain the quantity so removed and apply it, or the value thereof, towards its general expenses[12].

In the event of any part of any article or any sample from any article being found to be of a fineness:

(a) less than the minimum fineness for the precious metal of that article, the article the subject of the assay must be returned to the person submitting the same after payment of the prescribed charge; and, if the article is a new ware, the assay

office has power, before so returning the article, to break it and any other articles which were submitted with it in the same parcel of work[13];

(b) not less than such minimum fineness, the article must be struck with the approved hallmarks and delivered to the person submitting the same after payment of the prescribed charge[14].

If an assay office is satisfied where two or more articles being new wares are submitted to it in one parcel of work for assay and hallmarking that all the articles so submitted are intended to assay to a single standard of fineness, the assay office may[15] carry out a single assay in respect of some or all of the articles contained in such parcel[16].

Each assay office is responsible both for the safe custody of the dies to be used by that assay office for the purpose of striking articles with the approved hallmarks and other marks and for the disposal of such dies as and when the same are no longer required[17].

1 For the meaning of 'assay office' see para 469 ante.

2 For these purposes, 'new ware' means: (1) any article which is a substantially complete manufacture and which has not as such been supplied on a sale by retail; and (2) any article which has been the subject of an improper alteration: Hallmarking Act 1973 s 22(1). 'Improper alteration' means an addition, alteration or repair which has been made to an article bearing approved hallmarks and which: (a) contravened s 5 (see para 479 post); or (b) was made before 1 January 1975 and would have required the consent of an assay office if s 5 had been in force; or (c) in the case of an article which bears a convention hallmark or an EEA hallmark, would have required that consent if the addition, alteration or repair had been made in the United Kingdom: ss 2(5), 22(1) (s 2(5)(c) amended by the Hallmarking (Hallmarking Act Amendment) Regulations 1998, SI 1998/2978, reg 2(6)). Heads (b), (c) supra do not apply, however, if, after the making of the addition, alteration or repair, the article has been re-assayed and struck with any further approved hallmark: Hallmarking Act 1973 s 2(5) proviso. For the meaning of 'convention hallmark' see para 472 post; for the meaning of 'EEA hallmark' see para 473 post; and for the meaning of 'United Kingdom' see para 3 note 2 ante.

3 Ibid s 15(1), Sch 5 para 1.

4 For the meaning of 'approved hallmarks' see para 468 ante.

5 Hallmarking Act 1973 Sch 5 para 2(1).

6 For the meaning of 'precious metal' see para 468 note 8 ante.

7 For the meaning of 'minimum fineness' see para 468 note 10 ante; and for the meaning of 'fineness' see para 468 note 9 ante.

8 Hallmarking Act 1973 Sch 5 para 2(2).

9 Ibid Sch 5 para 2(2)(a).

10 Ibid Sch 5 para 2(2)(b).

11 Ie subject to ibid Sch 5 para 2(1), (2) (see the text and notes 5–10 supra) and Sch 5 para 2(5) (see the text and note 16 infra).

12 Ibid Sch 5 para 2(3).

13 Ibid Sch 5 para 2(4)(a).

14 Ibid Sch 5 para 2(4)(b).

15 Ie notwithstanding anything in ibid Sch 5 para 2(3): see the text and note 12 supra.

16 Ibid Sch 5 para 2(5).

17 Ibid Sch 5 para 4(1). After consultation with all the assay offices the British Hallmarking Council may make regulations in or in connection with the discharge by assay offices of the duty imposed upon them by Sch 5 para 4(1) and as to the manner in which any such die is to be made or used and generally in relation thereto: Sch 5 para 4(2). As to the British Hallmarking Council see paras 482–484 post.

472. Convention hallmarks. 'Convention hallmarks' means marks struck by an assay office[1] under the law of a country outside the United Kingdom[2], being marks designated for this purpose by order of the Secretary of State[3] as marks recognised pursuant to any international convention or treaty to which Her Majesty's government in the United Kingdom is a party[4]. The Secretary of State may make such provision by order as appears to him appropriate for enabling articles submitted to an assay office in the United Kingdom to be struck with marks which, pursuant to any such convention or treaty, will, or will with other marks, be accorded recognition under the law of any other country[5].

1 For the meaning of 'assay office' see para 469 ante.
2 For the meaning of 'United Kingdom' see para 3 note 2 ante.
3 As the Secretary of State see para 465 note 4 ante.
4 Hallmarking Act 1973 ss 2(1)(c), (2), 22(1). The effect of these provisions is to enable the United Kingdom government to comply with the Convention on the Control and Marking of Articles of Precious Metals 1972 (Vienna, 15 November 1972; TS 53 (1978); Cmnd 7219). As to the relevant orders see note 5 infra.
5 Hallmarking Act 1973 s 2(3) (amended by the Hallmarking (Hallmarking Act Amendment) Regulations 1998, SI 1998/2978, reg 2(5)). Such an order may contain consequential or incidental provisions, including provision for excluding or modifying any of the provisions of the Hallmarking Act 1973: s 2(3). In exercise of the power so conferred the Secretary of State has made the Hallmarking (International Convention) Order 2002, SI 2002/506, which: (1) recognises certain foreign hallmarks and sponsors' marks, with the result that articles bearing such marks are to be treated as hallmarked for the purposes of the Hallmarking Act 1973 and may therefore be described in the United Kingdom as being of the precious metal of which they are made; and (2) provides for the application in the United Kingdom of similar marks which are to be recognised in other Convention countries. As to the making of orders generally see para 466 ante.

473. EEA hallmarks and free movement of goods under EC law. 'EEA hallmarks' means marks struck in an EEA state[1] other than the United Kingdom[2], being marks which have been struck by an independent body in accordance with the law of that state, and provide information which is equivalent to the information provided by the assay office marks and standard marks[3], and which is intelligible to consumers in the United Kingdom[4]. The provisions relating to EEA hallmarks were inserted[5] in the Hallmarking Act 1973 in consequence of a decision of the European Court of Justice interpreting and applying the rules on free movement of goods under the EC Treaty[6]. In accordance with that decision, the rules on free movement of goods require member states to permit the marketing of articles of precious metal hallmarked by an independent body in the member state of exportation[7], so long as that hallmark contains information which is equivalent to that provided by the hallmarks required by the member state of importation and which is intelligible to consumers in that state[8]. Thus member states may not require the application of hallmarks denoting a particular standard of fineness in parts per thousand or the application of a sponsor's mark registered in the country of importation or an approved national or convention hallmark where those articles have been lawfully marketed in another member state bearing hallmarks which convey equivalent information such as hallmarks indicating the standard of fineness in parts per thousand[9]. National rules which prohibit the marketing of articles of precious metal which do not indicate their date of manufacture cannot be enforced, where those articles have been lawfully marketed in another member state from which they have been imported[10].

In accordance with general principles of EC law, the domestic provisions relating to EEA hallmarks are to be interpreted as far as possible in conformity with the provisions of EC law[11] to which they give effect[12]. Further, the EC rules on free movement of goods have direct effect and national provisions relating inter alia to hallmarking requirements cannot be enforced to the extent that they conflict with those rules. Accordingly, it is possible if the statutory provisions relating to EEA hallmarks do not go far enough that the EC rules on free movement of goods could directly provide a defence to a person marketing hallmarked articles from other member states.

1 'EEA state', in relation to any time, means a state which at that time is a member state, or any other state which at that time is a party to the EEA agreement: Hallmarking Act 1973 s 2(2A) (added by the Hallmarking (Hallmarking Act Amendment) Regulations 1998, SI 1998/2978, reg 2(4); and substituted by the Hallmarking Act 1973 (Amendment) Regulations 2007, SI 2007/872, reg 2(1), (2)); Interpretation Act 1978 s 5, Sch 1 (definition added by the Legislative and Regulatory Reform Act 2006 s 26(1)). As to the EEA and the EEA agreement see para 102 note 6 ante.
2 For the meaning of 'United Kingdom' see para 3 note 2 ante.

3 Ie the information provided by marks under the Hallmarking Act 1973 s 4(1)(a)(i), (ii): see para 468 note 11 ante.
4 Ibid ss 2(1)(d), (2), 22(1) (s 2(1)(d) and the definition in s 22(1) added, and s 2(2) amended, by the Hallmarking (Hallmarking Act Amendment) Regulations 1998, SI 1998/2978, reg 2(2), (3), (12)).
5 Ie by the Hallmarking (Hallmarking Act Amendment) Regulations 1998, SI 1998/2978. The parts of these Regulations making provision for EEA hallmarks were made under the powers conferred by the European Communities Act 1972 s 2(2), to amend domestic laws in order to give effect to Community obligations of the United Kingdom.
6 Case C-293/93 *Straffesag v Houtwipper* [1994] ECR I–4249, [1995] All ER (EC) 163, ECJ. The rules on free movement of goods are contained in the Treaty Establishing the European Community (Rome, 25 March 1957; TS 1 (1973); Cmnd 5179) (the 'EC Treaty') arts 28–30 (formerly arts 30–36; renumbered by virtue of the Treaty of Amsterdam: see *Treaty Citation (No 2) (Note)* [1999] All ER (EC) 646, ECJ). As to these rules as developed by the European Court of Justice see CUSTOMS AND EXCISE.
7 Case C-293/93 *Straffesag v Houtwipper* [1994] ECR I–4249, [1995] All ER (EC) 163, ECJ (Answer 2 to the questions of the national court). See also Case C-30/99 *Commission of the European Communities v Ireland (United Kingdom intervening)* [2001] ECR I-4619, sub nom *EC Commission v Ireland (United Kingdom intervening)* [2001] 3 CMLR 573, ECJ. It is for the national court to examine whether the articles of precious metal have been hallmarked by an independent body in the member state of exportation: *Straffesag v Houtwipper* supra (Answer 3).
8 Case C-293/93 *Straffesag v Houtwipper* [1994] ECR I–4249, [1995] All ER (EC) 163, ECJ (Answer 1 to the questions of the national court). See also Case C-30/99 *Commission of the European Communities v Ireland (United Kingdom intervening)* [2001] ECR I-4619, sub nom *EC Commission v Ireland (United Kingdom intervening)* [2001] 3 CMLR 573, ECJ. It is a matter for the national court to determine as a question of fact the equivalence of information provided by the hallmark: *Straffesag v Houtwipper* supra (Answer 3).
9 Case C-30/99 *Commission of the European Communities v Ireland (United Kingdom intervening)* [2001] ECR I-4619, sub nom *EC Commission v Ireland (United Kingdom intervening)* [2001] 3 CMLR 573, ECJ.
10 Case C-293/93 *Straffesag v Houtwipper* [1994] ECR I–4249, [1995] All ER (EC) 163, ECJ (Answer 4).
11 Ie the EC Treaty arts 28–30 (as renumbered: see note 6 supra), as interpreted by the decision of the European Court of Justice in Case C-293/93 *Straffesag v Houtwipper* [1994] ECR I–4249, [1995] All ER (EC) 163, ECJ and in Case C-30/99 *Commission of the European Communities v Ireland (United Kingdom intervening)* [2001] ECR I-4619, sub nom *EC Commission v Ireland (United Kingdom intervening)* [2001] 3 CMLR 573, ECJ.
12 See para 5 note 3 ante.

474. Meaning of 'unhallmarked article'. An article is unhallmarked if it does not bear the approved hallmarks[1] and the sponsor's mark[2], or if the article has been the subject of any improper alteration[3].

1 For the meaning of 'approved hallmarks' see para 468 ante. As to the approved hallmarks whose absence does not render an article unhallmarked see the Hallmarking Act 1973 s 4(2) (as substituted); and para 468 note 11 ante.
2 For the meaning of 'sponsor's mark' see para 478 post.
3 Hallmarking Act 1973 ss 2(4), 22(1). For the meaning of 'improper alteration' see para 471 note 2 ante.

475. Permissible descriptions. Certain descriptions of unhallmarked articles[1] are permitted notwithstanding the general prohibition[2]. The description 'gold' is permissible if qualified by the word 'plated' or 'rolled'; 'silver' is permissible if qualified by the word 'plated'; and 'platinum' is permissible if qualified by the word 'plated'[3]. If the description is in writing, the lettering of 'plated' or 'rolled' is to be at least as large as any other lettering in the description[4].

A description is also permissible if it is implicitly or in express terms confined to the colour of the article[5].

1 For the meaning of 'unhallmarked article' see para 474 ante.
2 See the Hallmarking Act 1973 s 1(2), Sch 1 Pt I. As to the general prohibition see s 1(1); and para 467 ante.
3 Ibid Sch 1 Pt I para 1(1). Schedule 1 Pt I para 1 does not apply, however, if the description is false or is applied to an article for which the description is inappropriate: Sch 1 Pt I para 1(3).
4 Ibid Sch 1 Pt I para 1(2).
5 Ibid Sch 1 Pt I para 2.

476. Exempted articles. Certain unhallmarked articles[1] are exempted from the general prohibition[2] on the application of 'gold', 'silver' or 'platinum' descriptions to such articles[3]. The exemptions fall into three classes:

(1) articles exempted generally[4];

(2) articles exempt if of minimum fineness[5]; and

(3) articles manufactured or exempted before 1 January 1975[6].

1 For the meaning of 'unhallmarked article' see para 474 ante.

2 Ie under the Hallmarking Act 1973 s 1(1): see para 467 ante.

3 See ibid Sch 1 Pt II (paras 1–14AA) (amended by the Hallmarking (Exempted Articles) (Amendment) Order 1975, SI 1975/1883, art 3, Schedule; the Hallmarking (Exempted Articles) Order 1982, SI 1982/256, art 2; the Hallmarking (Exempted Articles) Order 1986, SI 1986/1758, art 2; and the Hallmarking Act 1973 (Exemption) (Amendment) Order 2007, SI 2007/880, art 2). The Hallmarking (Exempted Articles) Order 1982, SI 1982/256, was made to overcome the criticism in *Barge v Graham Brown (Oasis Trading) Ltd* [1981] 3 All ER 360, DC.

4 The articles so exempted are:

(1) an article which is intended for dispatch to a destination outside the United Kingdom (Hallmarking Act 1973 Sch 1 Pt II para 1);

(2) an article which is outside the United Kingdom, or which is in course of consignment from outside the United Kingdom to an assay office in the United Kingdom (Sch 1 Pt II para 2);

(3) any coin which is, or was formerly at any time, a current coin of the United Kingdom or of any other territory (Sch 1 Pt II para 3);

(4) any article which has been used, or is intended to be used, for medical, dental, veterinary, scientific or industrial purposes (Sch 1 Pt II para 4);

(5) any battered article fit only to be re-manufactured (Sch 1 Pt II para 5 (substituted by the Hallmarking (Exempted Articles) (Amendment) Order 1975, SI 1975/1883, art 3, Schedule));

(6) any article of gold or silver thread (Hallmarking Act 1973 Sch 1 Pt II para 6);

(7) any raw material (including any bar, plate, sheet, foil, rod, wire, strip or tube) or bullion (Sch 1 Pt II para 7);

(8) any manufactured article which is not substantially complete, and which is intended for further manufacture (Sch 1 Pt II para 8);

(9) any article which is wholly or mainly of platinum and which was manufactured before 1 January 1975 (Sch 1 Pt II para 9).

For the meaning of 'United Kingdom' see para 3 note 2 ante.

5 For the meaning of 'minimum fineness' see para 468 note 10 ante. The articles so exempt if of minimum fineness are:

(1) any article which: (a) is wholly or mainly of gold or of silver or of gold and silver assaying in all its gold parts not less than 375 parts per 1,000 and in all its silver parts not less than 800 parts per 1,000; and (b) was manufactured before the year 1950 and has not since the beginning of that year been the subject of any alteration which would be an improper alteration if the article had previously borne approved hallmarks (ibid Sch 1 Pt II para 10 (substituted by the Hallmarking (Exempted Articles) (Amendment) Order 1975, SI 1975/1883, art 3, Schedule; and amended by the Hallmarking Act 1973 (Exemption) (Amendment) Order 2007, SI 2007/880, reg 2));

(2) any musical instrument, where the description is applied to the mouthpiece, and the mouthpiece is of minimum fineness (Hallmarking Act 1973 Sch 1 Pt II para 11 (amended by the Hallmarking (Exempted Articles) Order 1986, SI 1986/1758, art 2(a)));

(3) any article containing only one precious metal, being a metal of minimum fineness and of a weight less than the specified weight (i e for gold 1 gram, for silver 7.78 grams and for platinum 0.5 gram), but not including any article containing materials other than precious metal unless the article satisfies the conditions for hallmarking of the Hallmarking Act 1973 Sch 2 Pt III (see para 468 note 11 ante) (Sch 1 Pt II para 12(1), (2) (substituted by the Hallmarking (Exempted Articles) Order 1982, SI 1982/256, art 2; and amended by the Hallmarking (Exempted Articles) Order 1986, SI 1986/1758, art 2(b)));

(4) any article, except an article made of chainwork, which is wholly of one or more precious metals of minimum fineness and which is so small or thin that it cannot be hallmarked (Hallmarking Act 1973 Sch 1 Pt II para 13 (substituted by the Hallmarking (Exempted Articles) (Amendment) Order 1975, SI 1975/1883, art 3, Schedule; and amended by the Hallmarking (Exempted Articles) Order 1986, SI 1986/1758, art 2(a), (c)));

(5) any article which is of minimum fineness and which is imported temporarily (whether as a trade sample, or as intended for exhibition or otherwise) and for the time being remains under the control of the Commissioners for Her Majesty's Revenue and Customs (Hallmarking Act 1973

Sch 1 Pt II para 14 (amended by the Hallmarking (Exempted Articles) Order 1986, SI 1986/1758, art 2(a); and by virtue of the Commissioners for Revenue and Customs Act 2005 s 50(1), (7)));

(6) any article, any precious metal in which is of minimum fineness, and which either: (a) contains gold and platinum but not silver, and the weight of the gold parts of which exceeds 50% of the total weight of the precious metals in the article, that total weight being less than 1 gram; or (b) contains silver and either gold or platinum or both gold and platinum, and the weight of the silver parts of which exceeds 50% of the total weight of the precious metals in the article, that total weight being less than 7.78 grams, but not including any article containing materials other than precious metal unless the article satisfies the conditions for hallmarking of the Hallmarking Act 1973 Sch 2 Pt III (see para 468 note 11 ante) (Sch 1 Pt II para 14A(1), (2) (s 14A added by the Hallmarking (Exempted Articles) Order 1982, SI 1982/256, art 2; and amended by the Hallmarking (Exempted Articles) Order 1986, SI 1986/1758, art 2(b))).

Heads (2)–(6) supra do not apply to any article in which solder containing precious metal is used unless the solder is of a standard of fineness equivalent to that which would be required under the Hallmarking Act 1973 s 4(3) (as amended) (see para 468 ante) if the article were submitted to an assay office for hallmarking: Sch 1 Pt II para 14AA (added by the Hallmarking (Exempted Articles) Order 1986, SI 1986/1758, art 2(d)). In relation to an article manufactured before 1 January 2008 the reference to the Hallmarking Act 1973 Sch 2 Pt III in heads (3) and (6) supra is to that Part as it had effect immediately before 6 April 2007: Sch 1 Pt II para 12(3) (added by the Hallmarking Act 1973 (Amendment) Regulations 2007, SI 2007/872, reg 2(1), (4)); Hallmarking Act 1973 Sch 1 Pt II para 14A(3) (added by the Hallmarking Act 1973 (Amendment) Regulations 2007, SI 2007/872, reg 2(1), (5)). For the meaning of 'precious metal' see para 468 note 8 ante; for the meaning of 'improper alteration' see para 471 note 2 ante; and for the meaning of 'assay office' see para 469 ante. As to the Commissioners of Customs and Excise see CUSTOMS AND EXCISE vol 12(3) (2007 Reissue) para 900 et seq.

6 The following articles of gold are exempt, if manufactured before 1 January 1975, and (except in the case of articles mentioned in head (4) infra) of minimum fineness:

(1) rings, except wedding rings, pencil cases, lockets, watch chains and thimbles (Hallmarking Act 1973 Sch 1 Pt II para 15(a));
(2) articles consisting entirely of filigree work (Sch 1 Pt II para 15(b));
(3) articles so heavily engraved or set with stones that it is impossible to mark them without damage (Sch 1 Pt II para 15(c));
(4) jewellers works, i e the actual setting only in which stones or other jewels are set, and jointed sleeper earrings (Sch 1 Pt II para 15(d)).

The following articles of silver are exempt, if manufactured before 1 January 1975, and (except in the case of articles mentioned in head (e) infra) of minimum fineness:

(a) lockets, watch chains and stamped medals (Sch 1 Pt II para 16(1)(a));
(b) mounts the weight of which is less than 15.55 grams (Sch 1 Pt II para 16(1)(b));
(c) articles consisting entirely of filigree work (Sch 1 Pt II para 16(1)(c));
(d) silver articles the weight of which is less than 7.78 grams (Sch 1 Pt II para 16(1)(d));
(e) jewellers works, i e the actual setting only in which stones or other jewels are set (Sch 1 Pt II para 16(1)(e)).

The following articles are not, however, so exempt: necks and collars for bottles on cruet stands; buttons and studs, seals, wine labels, shoe clasps, buckles or patch boxes; salt spoons, shovels or ladles, teaspoons, tea strainers, caddy ladles or spoons; ornaments for cabinets, knife cases, tea caddies, bridles, stands or frames: Sch 1 Pt II para 16(2).

Articles of gold or silver manufactured before 1 January 1975, other than articles mentioned in Sch 1 Pt II para 15 or Sch 1 Pt II para 16, and being of such descriptions as, under any enactment in force immediately before 25 July 1973, to be specifically exempt from hallmarking, are exempt: Sch 1 Pt II para 17.

Where an exemption depends on the date of manufacture, or the date of any alteration, the manufacture or alteration is presumed to be after that date until the contrary is proved: Sch 1 Pt II para 18.

477. Descriptions relating to fineness. A description indicating that an article, or the metal in an article, is of so many carats, is to be presumed to be an indication that the article or metal is of gold, and that its fineness[1] is that specified[2] for that number of carats[3].

A description of an article, or of the metal in an article, as 'sterling' or (except in the phrase 'Britannia metal') 'Britannia' is to be presumed to be an indication that the article, or the metal, is of silver[4].

These provisions also apply for the purposes of the Trade Descriptions Act 1968[5].

1 For the meaning of 'fineness' see para 468 note 9 ante.
2 Ie 9 carats indicates gold of a standard of fineness of 375 parts per thousand; 12 carats indicates gold of a standard of fineness of 500 parts per thousand; 14 carats indicates gold of a standard of fineness of 585 parts per thousand; 15 carats indicates gold of a standard of fineness of 625 parts per thousand; 18 carats indicates gold of a standard of fineness of 750 parts per thousand; 22 carats indicates gold of a standard of fineness of 916.6 parts per thousand; and so in proportion for any other number of carats: Hallmarking Act 1973 s 1(5), Sch 1 Pt III para 2.
3 Ibid Sch 1 Pt III paras 1, 2(1). Schedule 1 Pt III para 2 does not apply, however, if (as in a case where the article is a precious stone) the word 'carat' is used as a measure of weight for precious stones and not as a measure of fineness: Sch 1 Pt III para 2(2).
4 Ibid Sch 1 Pt III paras 1, 3(1). If 'sterling' is the word used, the description is to be presumed to be an indication that the silver is of a standard of fineness of 925: Sch 1 Pt III para 3(2). If the word used is 'Britannia', the description is to be presumed to be an indication that the silver is of a standard of fineness of 958.4: Sch 1 Pt III para 3(3).
5 Ibid Sch 1 Pt III para 1. As to the Trade Descriptions Act 1968 see SALE OF GOODS AND SUPPLY OF SERVICES vol 41 (2005 Reissue) para 471 et seq. Notwithstanding s 3(1) (definition of 'false trade description' as one which is false a material degree: see SALE OF GOODS AND SUPPLY OF SERVICES vol 41 (2005 Reissue) para 479) a trade description which indicates the fineness, whether in parts per 1,000 or otherwise, of any precious metal is a false trade description if that indication is false to any extent or degree (except by understating the fineness): Hallmarking Act 1973 s 1(4). For the meaning of 'precious metal' see para 468 note 8 ante.

478. Sponsors' marks. 'Sponsor's mark' means:

(1) a mark struck on an article and indicative of the manufacturer or sponsor[1]; or
(2) a mark designated as a sponsor's mark by order of the Secretary of State[2] as a mark recognised pursuant to any international convention or treaty to which Her Majesty's government in the United Kingdom[3] is a party and as a sponsor's mark for the purposes of the Hallmarking Act 1973[4]; or
(3) a mark struck on an article in an EEA state[5] which indicates the manufacturer or sponsor of the article[6].

Before an article is submitted to an assay office[7] to be struck with the approved hallmarks[8], there must be struck on the article a sponsor's mark[9]. A sponsor's mark must be authorised by registration with an assay office by which the article is intended to be so struck[10].

Any person who without authority strikes an article with a mark purporting to be an authorised sponsor's mark is guilty of an offence[11].

1 Hallmarking Act 1973 ss 3(1), 22(1). 'Sponsor's mark' includes a mark applied under the corresponding provisions of earlier legislation: see s 22(1).
2 As to the Secretary of State see para 14 ante.
3 For the meaning of 'United Kingdom' see para 3 note 2 ante.
4 Hallmarking Act 1973 s 22(1). For the orders made for this purpose see para 472 note 5 ante.
5 For the meaning of 'EEA state' see para 473 note 1 ante.
6 Hallmarking Act 1973 s 22(1) (amended by the Hallmarking (Hallmarking Act Amendment) Regulations 1998, SI 1998/2978, reg 2(14)).
7 For the meaning of 'assay office' see para 469 ante.
8 For the meaning of 'approved hallmark' see para 468 ante.
9 Hallmarking Act 1973 s 3(1). The assay office and the manufacturer or sponsor of an article may, however, make arrangements for the sponsor's mark to be struck by that assay office upon submission of the article to be struck with the approved hallmarks: s 3(1) proviso.
10 See ibid s 3(2). An assay office must maintain a register of sponsor's marks for the time being registered and approved by it: s 3(3)(b). A registered sponsor's mark, other than one registered on or before 31 December 1975, must include the initial letters of the name or names of the manufacturer or sponsor and must be of such design as may be approved by an assay office: see s 3(3)(a). Registration fees are to be paid, and punches and other equipment approved, in accordance with regulations made by the British Hallmarking Council: see s 3(4), (5). Any assay office may register its own sponsor's mark, of such design as may be approved by the Council, and strike it on an article submitted to it where it would not be justified in requiring the applicant to register his own sponsor's mark: see s 3(6). The registration of a

sponsor's mark ceases to have effect after the expiration of the period of ten years following registration, but without prejudice to the making of any application for renewal of such registration: s 3(7). As to the British Hallmarking Council see paras 482–484 post.

11 Ibid s 3(8). As to offences see para 486 post.

479. Alterations to hallmarked articles. It is an offence for any person to make an addition, alteration or repair to an article bearing approved hallmarks[1], except in accordance with the written consent of an assay office[2]. It is also an offence for any person to remove, alter or deface any mark[3] struck on an article, except in accordance with the written consent of an assay office[4]. In giving any consent for these purposes an assay office may make it a condition of the consent that the article concerned, or any addition made to it, be further assayed and struck with the appropriate marks[5].

It is not an offence[6], however, to batter an article so as to render it fit only for re-manufacture[7]; nor is it an offence[8] to make an addition to an article which is not a new ware[9] if the character of the article, and the purposes for which it can be used, remain unaltered and the metal added satisfies the specified conditions[10]. In certain circumstances it is not an offence to add a coating of silver, gold or rhodium to an article[11].

1 For the meaning of 'approved hallmarks' see para 468 ante.

2 Hallmarking Act 1973 s 5(1). For the meaning of 'assay office' see para 469 ante. As to offences see para 486 post.

3 For these purposes, 'mark' means a sponsor's mark, any approved hallmark, the word 'filled', the word 'metal' or any other word for the time being prescribed by or under ibid s 4 or Sch 2 (as amended) (see para 468 ante): s 5(2). For the meaning of 'sponsor's mark' see para 478 ante.

4 Ibid s 5(2).

5 Ibid s 5(6). For these purposes, the appropriate marks are the sponsor's mark and such of the approved hallmarks as may be specified in directions issued by the British Hallmarking Council or, in the absence of any such directions, such of the approved hallmarks as may be determined by the assay office: s 5(6)(a), (b). As to the British Hallmarking Council see paras 482–484 post.

If an application for consent under s 5(1) or s 5(2) has been refused and the applicant has referred the matter in writing to the Council, the Council must consider the case and, if of the opinion that the assay office was acting unreasonably in withholding the consent applied for, it must direct the assay office to grant the consent (s 5(7)), and, without prejudice to s 5(6), it is the duty of an assay office to which a direction has been given under s 5(7) to comply with the direction (s 5(8)).

6 Ie under ibid s 5(1) or (2): see the text and notes 1–4 supra.

7 Ibid s 5(3).

8 Ie under ibid s 5(1): see the text and notes 1–2 supra.

9 For the meaning of 'new ware' see para 471 note 2 ante.

10 Hallmarking Act 1973 s 5(4). The conditions so specified are that: (1) the addition must be of the same precious metal as that of the article; (2) the metal added to the article must be of a fineness not less than the standard of fineness of the article; and (3) the amount of metal added must not exceed the lesser of: (a) 1 gram of gold, 5 grams of silver or 0.5 gram of platinum, as the case may be; and (b) 50% of the weight of the article immediately before the addition was made: s 5(4). For the meaning of 'precious metal' see para 468 note 8 ante; and for the meanings of 'fineness' and 'standard of fineness' see para 468 note 9 ante.

11 Ibid s 5(5). It is not an offence to add a coating of a thickness not exceeding two micrometres at any point to the whole or any part of: (1) an article of gold, if the coating is of gold of a fineness not less than the standard of fineness of the article; or (2) an article of silver, if the coating is of silver of a fineness not less than the standard of fineness of the article; or (3) an article of silver, if the coating is of gold of not less than the minimum fineness; or (4) an article of gold, silver or platinum, if the coating is of rhodium: s 5(5). For the meaning of 'minimum fineness' see para 468 note 10 ante.

480. Treatment of unauthorised marks. At its discretion an assay office[1] may cancel or obliterate any mark of the character of a hallmark, whether the mark appears to be an approved hallmark[2] or to be a mark which in the opinion of the assay office is likely to be confused with such a hallmark, which an article coming into its custody or possession bears, and which it is satisfied has not been struck on the article by an assay

office according to law or is not a true description because the article appears to have been the subject of an improper alteration[3]. If it is proved that an assay office has:

(1) cancelled or obliterated any such mark[4] which has been struck by an assay office according to law on an article which has not been the subject of an improper alteration; or

(2) obliterated any ancient mark upon an article,

the assay office (but not any other person) is liable in damages to any person interested in the article[5].

It is an offence for any person knowingly or for any dealer[6] to supply or offer to supply any article bearing any mark of the character of a hallmark and which may, if the article is in the possession of an assay office, be cancelled, obliterated or defaced[7], unless the article has been first submitted to an assay office to enable it at its discretion to cancel, obliterate or deface that mark[8].

1 For the meaning of 'assay office' see para 469 ante.
2 For the meaning of 'approved hallmarks' see para 468 ante.
3 Hallmarking Act 1973 s 7(1). For the meaning of 'improper alteration' see para 471 note 2 ante.
Notwithstanding anything in any enactment, an assay office may not, otherwise than by leave of the owner or other person appearing to have the control of any article, obliterate any ancient mark but must cancel it in a manner authorised by the British Hallmarking Council: s 7(2). The Council may issue directions to assay offices as to the manner in which an ancient mark may be so cancelled: s 7(3). For these purposes, 'ancient mark' means a mark of the character of a hallmark appearing to an assay office to have been struck or incorporated before 22 December 1854, whether or not by an assay office according to law at the time of its marking or incorporation, upon or into an article which has not since been the subject of an improper alteration: s 7(7). As to the British Hallmarking Council see paras 482–484 post.
4 Ie any mark as described in ibid s 7(1): see the text to notes 1–3 supra.
5 Ibid s 7(4). In any action brought against an assay office in pursuance of s 7(4) it is a defence for it to prove that it had reasonable cause to believe that the circumstances specified respectively in s 7(4)(a) or s 7(4)(b) (see heads (1) and (2) in the text) did not exist: s 7(5).
6 For the meaning of 'dealer' see para 468 note 17 ante.
7 Ie under the Hallmarking Act 1973 s 7(1): see the text to notes 1–3 supra.
8 Ibid s 7(6). As to offences see para 486 post.

481. Counterfeiting. Any person who:

(1) with intent to defraud or deceive[1], makes a counterfeit of any die[2] or mark[3]; or

(2) removes any mark from an article of precious metal[4] with intent to transpose it to any other article, whether of precious metal or not, or affixes to any article whether of precious metal or not, any mark which has been removed from an article of precious metal[5]; or

(3) utters[6] any counterfeit of a die or any article bearing a counterfeit of a mark[7]; or

(4) without lawful authority or excuse has in his custody or under his control anything which is, and which he knows or believes to be, a counterfeit of a die or an article, whether of precious metal or not, which bears a counterfeit of any mark[8],

is guilty of an offence[9].

Facts giving rise to an offence of counterfeiting under these provisions may also give rise to offences under other Acts[10].

1 Cf *R v Heron* [1982] 1 All ER 993, [1982] 1 WLR, 451, HL.
2 For these purposes, 'die' means the whole or part of any plate, tool or instrument by means of which any mark of the nature of a sponsor's mark or a hallmark is struck on any metal: Hallmarking Act 1973 s 6(2). For the meaning of 'sponsor's mark' see para 478 ante.
3 Ibid s 6(1)(a). For these purposes, 'mark' means any mark of the nature of a sponsor's mark or hallmark: s 6(2).
4 For the meaning of 'precious metal' see para 468 note 8 ante.
5 Hallmarking Act 1973 s 6(1)(b).

6 For these purposes, a person utters any counterfeit die or article bearing a counterfeit mark if, knowing or believing the die or mark, as the case may be, to be a counterfeit, he supplies, offers to supply or delivers the die or article: ibid s 6(3). See *Selby v DPP* [1972] AC 515, [1971] 3 All ER 810, HL; *R v Walmsley, De Reya and Jackson* (1977) 67 Cr App Rep 30, CA.

7 Hallmarking Act 1973 s 6(1)(c).

8 Ibid s 6(1)(d).

9 Ibid s 6(1) (amended by the Magistrates' Courts Act 1980 s 32(2)). Such a person is liable on conviction on indictment to imprisonment for a term not exceeding ten years or a fine, or on summary conviction to a fine not exceeding the prescribed sum: see the Hallmarking Act 1973 s 6(1) (as so amended). As to the prescribed sum see para 141 note 8 ante. As to offences under the Hallmarking Act 1973 generally see para 486 post.

10 Eg under the Theft Act 1968 (see CRIMINAL LAW, EVIDENCE AND PROCEDURE vol 11(1) (2006 Reissue) paras 309–312), the Forgery and Counterfeiting Act 1981 (see CRIMINAL LAW, EVIDENCE AND PROCEDURE vol 11(1) (2006 Reissue) para 346 et seq) or the Trade Descriptions Act 1968 (see SALE OF GOODS AND SUPPLY OF SERVICES vol 41 (2005 Reissue) para 471 et seq).

(iii) The British Hallmarking Council

482. In general. The British Hallmarking Council[1] is charged with the duty of ensuring that adequate facilities for the assaying and hallmarking of articles of precious metal[2] are available as from time to time required in the United Kingdom[3], of supervising the activities of assay offices[4] in that behalf, of taking all steps appearing to be open to it for ensuring the enforcement of the law with respect to hallmarking and of advising the Secretary of State[5] with respect to all matters concerning the due execution of the Hallmarking Act 1973 including any matter which may be referred to the Council by the Secretary of State[6].

In addition to the functions[7] specifically conferred on it by or under any other provisions of the Hallmarking Act 1973, the Council has the following functions[8]:

(1) to advise the Secretary of State as it thinks fit with respect to the making of orders and regulations under the Hallmarking Act 1973 and with respect to the amendment of the law as it affects, whether directly or indirectly, the hallmarking of articles of precious metal, including advice as to the application of some or all of the provisions of the Act to any metal other than gold, silver and platinum[9];

(2) subject to any directions in that behalf given by the Secretary of State, to fix the maximum charges for the time being to be charged by assay offices for assaying and hallmarking articles of precious metal manufactured in or intended for sale in the United Kingdom[10];

(3) to advise the Secretary of State upon any need appearing to the Council from time to time for the establishment of any further assay office or for the closure of any assay office or for its amalgamation with another assay office[11];

(4) to assist, by the provision of such technical and other services of the Council as may be available, all authorities and persons concerned in the enforcement of the Hallmarking Act 1973, to appoint such officers as the Council considers appropriate to act as inspectors and otherwise for the detecting of offences and enforcing the Hallmarking Act 1973 by or on behalf of the Council and to institute proceedings in that behalf[12];

(5) to authorise any assay office to carry on its business in whole or in part, subject to any conditions which may be specified by the Council in so authorising, in such place as may be specified by the Council additional to the place at which the assay office is otherwise authorised[13];

(6) to make temporary or permanent arrangements by directions, or to authorise the making of such arrangements between assay offices, whereby,

notwithstanding anything in any enactment, facilities specified in any case by the Council need not be afforded at an assay office but are afforded at another or others[14];

(7) to issue directions or regulations to all assay offices or, as the case may require, to an assay office in particular, as to the equipment and procedures to be provided and adopted by them or it in the assaying and hallmarking of precious metals and as to all other matters upon which such directions or regulations may be issued by the Council under the provisions of the Hallmarking Act 1973[15]; and

(8) subject to such provisions of the Hallmarking Act 1973 as confer powers in particular on the Council, to do anything which in its opinion is calculated to facilitate the proper discharge of any or all of its functions[16].

It is the duty of an assay office to comply with directions and regulations issued by the Council pursuant to head (6) or head (7) above[17]. Any assay office which is aggrieved by any such direction or regulation may, however, make written representation in that behalf to the Secretary of State who may determine all issues which may be raised upon any such representation; and it is the duty of the Council to comply with any determination so made by the Secretary of State[18].

All directions, regulations, authorities, notices or other instruments given or made by the Council under or in pursuance of any provision of the Hallmarking Act 1973 must be in writing and may be given or made under the hand of the secretary or other officer of the Council authorised in that behalf[19].

1 The British Hallmarking Council came into existence on 1 January 1974; and it has performed the functions assigned to it by or under the Hallmarking Act 1973 since 1 January 1975: see s 13(1)(b). The Council is a body corporate with perpetual succession and a common seal and with power to hold and dispose of land: s 13(1)(c), Sch 4 para 17(1). Every instrument to which the common seal is affixed must be signed by a member and counter-signed by the secretary of the Council or by a second such member: Sch 4 para 17(2). As to bodies corporate see generally COMPANIES; CORPORATIONS.
2 For the meaning of 'precious metal' see para 468 note 8 ante.
3 For the meaning of 'United Kingdom' see para 3 note 2 ante.
4 For the meaning of 'assay office' see para 469 ante.
5 As to the Secretary of State see para 14 ante.
6 Hallmarking Act 1973 s 13(1)(a).
7 For the meaning of 'functions' see para 465 note 4 ante.
8 Hallmarking Act 1973 s 13(2), which is expressed to be without prejudice to s 13(1): see the text and notes 1–6 supra.
9 Ibid s 13(2)(a). As to the making of orders and regulations generally see para 466 ante.
10 Ibid s 13(2)(b). As to the power of assay offices to make charges see para 469 ante.
11 Ibid s 13(2)(c). As to the establishment and closure of assay offices see para 470 ante.
12 Ibid s 13(2)(d).
13 Ibid s 13(2)(e).
14 Ibid s 13(2)(f).
15 Ibid s 13(2)(g).
16 Ibid s 13(2)(h).
17 Ibid s 13(3). As to powers and duties of assay offices generally see para 469 ante.
18 Ibid s 13(3) proviso.
19 Ibid s 13(4).

483. Constitution of the Council. The British Hallmarking Council[1] consists of not less than 16 nor more than 19 members[2], ten of whom must be appointed by the Secretary of State[3] and six by the assay offices[4]. Members hold office for a term of three years[5]. A member of the Council may, however, at any time by notice in writing to the secretary of the Council resign his office[6]. Not more than two members of the Council may be persons appointed by the Council as co-opted members[7].

The Council must elect a person to serve as chairman from among its members[8]; and the chairman holds office as such until the expiration of the period of his office as a

member current at his election as chairman or until he resigns office as chairman or until he ceases to be a member of the Council, whichever first occurs[9]. A person retiring from or resigning office as chairman or as a member of the Council is eligible to hold that office again[10].

The Council must appoint a secretary and such other officers and staff on such terms as to remuneration, pensions or otherwise as it may determine[11].

The Council may appoint a technical committee and one or more other committees to carry out on the Council's behalf such of the functions[12] of the Council as it may determine; and any such committee is comprised of such persons appointed on such terms as the Council may determine[13].

The Council may make standing orders for regulating the proceedings, including quorum, of the Council or any committee thereof, as the Council from time to time thinks fit[14].

The powers of the Council or of any committee thereof may be exercised notwithstanding any vacancy in its membership; and no proceedings of such a body are invalidated by any defect in the selection of a person to be a member of that body[15]. Questions arising at any meeting of the Council or of any committee thereof must be determined by a majority of votes of the members present in person or by proxy[16]; but in the event of an equality of votes the chairman, or in his absence the person acting as chairman, has a second or casting vote[17].

The chief executive of an assay office and any other employee authorised by it in that behalf may attend and speak at meetings of the Council[18].

If the Council considers[19], after consulting all the assay offices, that any or all of the statutory provisions relating to the Council's constitution[20] are no longer appropriate and that alterations, additions or omissions thereto or therefrom should be made, the Council may make representation in that behalf to the Secretary of State, specifying the alterations, additions or omissions which the Council considers should be made[21]. If the Secretary of State agrees with any representation so made to him or if[22] he considers it expedient to do so after consultation with the Council and despite the absence of any such representation, he may by order provide that there be made such alterations, additions or omissions to those statutory provisions, whether or not the same as those specified in a representation where one has been made to him, as may be specified in the order[23].

1 As to the establishment and functions of the British Hallmarking Council see para 482 ante.

2 Hallmarking Act 1973 s 13(1)(c), Sch 4 para 1. A person wholly or mainly employed by an assay office, other than the clerk to an assay office, is not eligible for membership of the Council: Sch 4 para 6.

3 Ibid Sch 4 para 2(1). Three of the members so appointed by the Secretary of State must be persons appearing to him to be suitably qualified by virtue of their knowledge of, and experience in, organisations established, or activities carried on, for the protection of the consumer: Sch 4 para 2(2). Four, but not more than four, of the members appointed by the Secretary of State, must be persons appearing to him to be suitably qualified by virtue of their engagement wholly or mainly in trading in, or manufacture of, articles of precious metal: Sch 4 para 2(3). Before making an appointment under Sch 4 para 2(3), the Secretary of State must consult the assay offices and such bodies representing persons engaged wholly or mainly in trading in, or manufacture of, articles of precious metal as he thinks appropriate: Sch 4 para 2(4). For the meaning of 'assay office' see para 469 ante; and for the meaning of 'precious metal' see para 468 note 8 ante. As to the Secretary of State see para 14 ante.

4 Ibid Sch 4 para 3(1). The London and Birmingham assay offices must appoint two members each, and the Edinburgh and Sheffield assay offices one each: Sch 4 para 3(1). Any person so appointed must be a person appearing to the assay office appointing him to be suitably qualified by virtue of his knowledge and experience of hallmarking: Sch 4 para 3(2). A person engaged wholly or mainly in trading in, or in articles manufactured of, precious metal may not be so appointed: Sch 4 para 3(3).

5 See ibid Sch 4 para 4.

6 Ibid Sch 4 para 8(1). When a member of the Council other than a co-opted member ceases to hold office otherwise than upon expiration of his period of office, his place must be taken by a person

appointed in the same manner as the member in question: Sch 4 para 8(2). A person so taking office by virtue of Sch 4 para 8(2) must retire when the person whose place he takes would normally have retired: Sch 4 para 8(3).

7 Ibid Sch 4 para 5(1). A co-opted member holds office in accordance with the terms of his appointment: Sch 4 para 5(2).

8 Ibid Sch 4 para 9(1). Notice of his election must as soon as is reasonably practicable be given in writing to the Secretary of State by the secretary or other person for the time being authorised by the Council in that behalf: Sch 4 para 9(1).

9 Ibid Sch 4 para 9(2). If any member appointed by an assay office is elected as chairman of the Council, Sch 4 para 8(2) (see note 6 supra) has effect as if that member had ceased to hold office otherwise than upon the expiration of his period of office: Sch 4 para 9(3).

10 Ibid Sch 4 para 10.

11 Ibid Sch 4 para 21.

12 For the meaning of 'functions' see para 465 note 4 ante.

13 Hallmarking Act 1973 Sch 4 para 15.

14 Ibid Sch 4 para 16. The Council may in any such standing orders make such provision as it thinks fit as to the giving of votes by proxy at meetings of the Council, including provision as to the form of appointment of any proxy, the submission of any completed proxy in due time before any meeting and as to all matters related to voting by proxy: Sch 4 para 14(1). A proxy for a member of the Council or of any committee of the Council need not be a member of the Council or that committee, as the case may be: Sch 4 para 14(2).

15 Ibid Sch 4 para 11.

16 Ibid Sch 4 para 12.

17 Ibid Sch 4 para 12 proviso.

18 Ibid Sch 4 para 13.

19 Ie having regard to: (1) the establishment of a new assay office, the dissolution of any assay office or its amalgamation with another assay office; or (2) other substantial changes which have taken place or are to take place in the functions, administration or activities of any assay office; or (3) any other considerations, whether or not of a like character to those mentioned above, appearing to the Council sufficient: ibid s 14(1).

20 Ie the provisions of ibid Sch 4: see the text and notes 1–18 supra.

21 Ibid s 14(1).

22 Ie having regard to the matters mentioned in ibid s 14(1): see note 19 supra.

23 Ibid s 14(2). Any such order is, however, subject to annulment in pursuance of a resolution of either House of Parliament: s 21(6). An order made under s 14 may contain such transitional, incidental and supplementary provisions, including in a case falling within s 14(1)(a) or s 14(1)(b) (see note 19 heads (1), (2) supra) provision for the winding up of any existing assay office and for the repeal of any local statutory provision relating to that assay office, as the Secretary of State considers appropriate: s 14(3). At the date at which this volume states the law no such order had been made. For the meaning of 'local statutory provision' see para 465 note 10 ante. As to the making of orders generally see para 466 ante.

484. Reports and accounts. The British Hallmarking Council[1] must, as soon as practicable after 31 December in each year, make to the Secretary of State[2] a report on the performance by it of its functions[3] during the period of 12 months ending with that date[4]. The report must include a record of all questions with which the Council has been concerned during that period and which appear to the Council to be of general interest[5].

The Council must keep proper accounts of all sums received or paid by it[6]. The Council must send its accounts for each year to the Comptroller and Auditor General as soon as reasonably practicable after the end of the year to which the accounts relate[7]. The Comptroller and Auditor General must examine, certify and report on any accounts so sent to him[8] and lay before each House of Parliament a copy of any accounts so sent to him together with his report on them[9]. As soon as the accounts of the Council have been audited, the Council must send a copy of the accounts to the Secretary of State; a copy of the accounts must be kept at the office of the Council, and any person interested is entitled free of charge to inspect and to take copies of, or extracts from, the copy of the accounts[10].

Any person, on application to the Council, is entitled to be furnished with copies of reports of the Council under the above provisions and of statements summarising the accounts of the Council, on payment of such reasonable sums as the Council may determine[11].

1 As to the establishment, functions and constitution of the British Hallmarking Council see paras 482–483 ante.
2 As to the Secretary of State see para 14 ante.
3 For the meaning of 'functions' see para 465 note 4 ante.
4 Hallmarking Act 1973 s 19(1).
5 Ibid s 19(2).
6 Ibid Sch 4 para 19(1). As to the Council's expenses, which are met out of contributions made by the assay offices, see Sch 4 para 18. The Council may pay remuneration and other expenses to its chairman, and travel, subsistence and other allowances to its members and committee members: see Sch 4 para 20. As to the assay offices see para 469 ante.
7 Ibid Sch 4 para 19(1B) (Sch 4 para 19(1B)–(1D) added by the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003, SI 2003/1326, art 8).
8 Hallmarking Act 1973 Sch 4 para 19(1C) (as added: see note 7 supra).
9 Ibid Sch 4 para 19(1D) (as added: see note 7 supra).
10 Ibid s 19(3).
11 Ibid s 19(4).

(iv) Enforcement of the Statutory Provisions

485. Enforcing authorities. It is the duty of every local weights and measures authority[1] to enforce the provisions of the Hallmarking Act 1973 within its area[2]. The British Hallmarking Council[3] and the assay offices[4] may also enforce the provisions of that Act[5]. Certain provisions of the Trade Descriptions Act 1968[6] apply in relation to the enforcement of the Hallmarking Act 1973[7]. In addition the Hallmarking Act 1973 may be enforced under Part 8 of the Enterprise Act 2002[8] in certain circumstances[9].

1 For the meaning of 'local weights and measures authority' see para 146 note 1 ante.
2 Hallmarking Act 1973 s 9(1). The Trade Descriptions Act 1968 s 26 (as amended) (enforcing authorities: see SALE OF GOODS AND SUPPLY OF SERVICES vol 41 (2005 Reissue) para 507) applies in relation to the enforcement of the Hallmarking Act 1973 by a local weights and measures authority as it applies in relation to the enforcement of the Trade Descriptions Act 1968: Hallmarking Act 1973 s 9(1).
3 As to the British Hallmarking Council see paras 482–484 ante.
4 For the meaning of 'assay office' see para 469 ante.
5 Hallmarking Act 1973 s 9(2).
6 Ie the Trade Descriptions Act 1968 s 27 (power to make test purchases), s 28 (as amended) (power to enter premises and inspect and seize goods and documents), s 29 (as amended) (obstruction of authorised officers), s 30 (as amended) (notice of test and intended prosecution), s 31 (evidence by certificate) and s 33 (compensation for loss etc of goods seized): see SALE OF GOODS AND SUPPLY OF SERVICES vol 41 (2005 Reissue) para 508 et seq. Any reference in those provisions to a local weights and measures authority and a duly authorised officer of such an authority is to be construed, in relation to the enforcement of the Hallmarking Act 1973, as including respectively a reference to the Council and an assay office and a duly authorised officer of the Council and of an assay office: s 9(4). Section 9(4) excludes from its operation the Trade Descriptions Act 1968 s 30(2), (4), but those provisions are, however, repealed.
7 Hallmarking Act 1973 s 9(3).
8 Ie the Enterprise Act 2002 Pt 8 (ss 210–236) (as amended): see TRADE, INDUSTRY AND INDUSTRIAL RELATIONS.
9 See the Enterprise Act 2002 (Part 8 Domestic Infringements) Order 2003, SI 2003/1593; and the Enterprise Act 2002 (Part 8 Notice to OFT of Intended Prosecution Specified Enactments, Revocation and Transition Provision) Order 2003, SI 2003/1376. A public authority holding information to which the Enterprise Act 2002 s 237 applies may disclose that information to any person for the purpose of facilitating the exercise of any function that person has by virtue of the Hallmarking Act 1973: see the Enterprise Act 2002 s 241, Sch 15; and TRADE, INDUSTRY AND INDUSTRIAL RELATIONS.

486. Offences. The Hallmarking Act 1973 makes provision as to the penalty that may be imposed for an offence under the Act where no other penalty is specified[1]. No prosecution for an offence under the Act may be commenced after the expiration of three years from the commission of the offence or one year from its discovery by the prosecutor, whichever is the earlier[2].

Where the commission by any person of such an offence is due to the act or default of some other person, that other person is guilty of the offence; and a person may be charged with and convicted of the offence by virtue of this provision whether or not proceedings are taken against the first-mentioned person[3].

Where an offence which has been committed by a body corporate is proved to have been committed with the consent and connivance of, or to be attributable to any neglect on the part of, any director[4], manager, secretary or other similar officer of the body corporate, or any person who was purporting to act in any such capacity, he as well as the body corporate is guilty of that offence and is liable to be proceeded against and punished accordingly[5].

Upon the conviction of any person of such an offence, the court may order any article that is the subject of the proceedings to be delivered to an assay office[6] which, subject to the order, may exercise the like powers in relation to the article as if it had been submitted to it for hallmarking[7].

1 A person guilty of such an offence is liable on conviction on indictment to imprisonment for a term not exceeding two years or a fine or both, or on summary conviction to a fine not exceeding the prescribed sum: see the Hallmarking Act 1973 s 8, Sch 3 para 1 (amended by the Magistrates' Courts Act 1980 s 32(2)). As to the prescribed sum see para 141 note 8 ante.

2 Hallmarking Act 1973 Sch 3 para 2(1).

3 Ibid Sch 3 para 4. As to the defences available in proceedings for an offence under s 1 see Sch 3 para 6; and para 467 ante. As to the defence of innocent publication of an advertisement see Sch 3 para 5; and para 467 note 8 ante.

4 In relation to any body corporate established by or under any enactment for the purpose of carrying on under national ownership any industry or part of an industry or undertaking, being a body corporate whose affairs are managed by its members, 'director' means a member of that body corporate: ibid Sch 3 para 3(2). As to bodies corporate see generally COMPANIES; CORPORATIONS.

5 Ibid Sch 3 para 3(1).

6 For the meaning of 'assay office' see para 469 ante.

7 Hallmarking Act 1973 s 10(1). Any article delivered to an assay office pursuant to such an order must be returned to the person entitled to it: s 10(2). As to the powers of an assay office in relation to goods delivered to it for hallmarking see paras 469–471 ante.

(2) PROOF AND MARKING OF GUN BARRELS

487. Summary of the legislation. Under the Gun Barrel Proof Acts 1868 to 1978[1], the Worshipful Company of the Gunmakers of the City of London Proof House and the Guardians of the Birmingham Proof House are required to maintain proof houses in or near London and Birmingham respectively and may provide branch proof houses in any convenient place[2]. All commercially produced gun barrels[3] are required to be proved by one or other of those two companies, which also maintain a register of foreign proof marks[4]. Penalties are imposed for offences in relation to the stamping and marking of barrels and for dealing with small arms not duly proved[5]. The Secretary of State[6] exercises certain supervisory functions[7].

1 The Gun Barrel Proof Act 1868, the Gun Barrel Proof Act 1950 (both of which are private Acts) and the Gun Barrel Proof Act 1978 may be cited together as the Gun Barrel Proof Acts 1868 to 1978: Gun Barrel Proof Act 1978 s 9(2). The Gun Barrel Proof Act 1978 amends earlier legislation to enable the United Kingdom to accede to the Convention for the Reciprocal Recognition of Proof Marks of Small-arms (Brussels, 1 July 1969; TS 84 (1980); Cmnd 8063). Nearly all countries which manufacture and export sporting weapons and other small arms are signatories to this Convention. For the meaning of 'United Kingdom' see para 3 note 2 ante.

2 See the Gun Barrel Proof Act 1868 s 4 (amended by the Gun Barrel Proof Act 1978 s 8(1), Sch 3; and the Statute Law (Repeals) Act 1993); and the Gun Barrel Proof Act 1978 s 3.
3 The Gun Barrel Proof Acts 1868 to 1978 do not apply to government firearms: see the Gun Barrel Proof Act 1868 s 119 (amended by the Gun Barrel Proof Act 1978 Sch 3 para 9).
4 As to the register of foreign proof marks held by the Permanent International Commission for the Proof of Small Arms ('convention proof marks') see the Gun Barrel Proof Act 1868 s 129 (substituted by the Gun Barrel Proof Act 1978 s 1(1), Sch 1). As to charges for proving and marking barrels see the Gun Barrel Proof Act 1868 s 118 (amended by the Deregulation (Gun Barrel Proving) Order 1996, SI 1996/1576, so as to remove restrictions on maxima which may be charged). As to exemption of firearms which bear convention proof marks see the Gun Barrel Proof Act 1868 s 130 (substituted by the Gun Barrel Proof Act 1978 Sch 1).
5 See the Gun Barrel Proof Act 1868 s 122 (as amended), s 143 (as amended); the Gun Barrel Proof Act 1978 s 2; and CRIMINAL LAW, EVIDENCE AND PROCEDURE vol 11(1) (2006 Reissue) para 355. As to offences in relation to convention proof marks see the Gun Barrel Proof Act 1868 s 131 (substituted by the Gun Barrel Proof Act 1978 Sch 1).
6 Administrative functions under the Gun Barrel Proof Acts 1868 to 1950 had by 1966 devolved on to the Board of Trade and are therefore now exercisable by the Secretary of State. As to the Secretary of State see para 14 ante.
7 See the Gun Barrel Proof Act 1868 s 117 (amended by the Gun Barrel Proof Act 1978 ss 5, 8, Sch 3).

(3) USE OF ROYAL ARMS

488. Restrictions on use of royal arms. A person may not without the authority of Her Majesty use in connection with any business the royal arms (or arms so closely resembling the royal arms as to be calculated to deceive) in such manner as to be calculated to lead to the belief that he is duly authorised to use the royal arms[1]. Nor may a person without the authority of Her Majesty or of a member of the royal family use in connection with any business any device, emblem or title in such a manner as to be calculated to lead to the belief that he is employed by, or supplies goods or services to, Her Majesty or that member of the royal family[2].

A person who contravenes the above provisions commits an offence and is liable on summary conviction to a fine[3].

Contravention of the above provisions may be restrained by injunction in proceedings brought by any person who is authorised to use the arms, device, emblem or title in question or any person authorised by the Lord Chamberlain to take such proceedings[4].

Nothing in the above provisions affects any right of the proprietor of a trade mark containing any such arms, device, emblem or title to use that trade mark[5].

If any person, in the course of any trade or business, gives, by whatever means, any false indication, direct or indirect, that any goods or services supplied by him or any methods adopted by him are or are of a kind supplied to or approved by Her Majesty or any member of the royal family, he is guilty of an offence[6].

If any person, in the course of any trade or business, uses, without the authority of Her Majesty, any device or emblem signifying the Queen's Award to Industry or anything so nearly resembling such a device or emblem as to be likely to deceive, he is guilty of an offence[7].

1 Trade Marks Act 1994 s 99(1). A royal warrant is an intimation from the proper authority representing the Crown that a particular trader has had dealings with the Crown, and is not an exercise of the royal prerogative: *Re Imperial Tobacco Co of Great Britain and Ireland's Trade Marks* [1915] 2 Ch 27, 32 RPC 40; affd [1915] 2 Ch 27 at 41, 32 RPC 361, CA.
2 Trade Marks Act 1994 s 99(2).
3 Ibid s 99(3). The fine must not exceed level 2 on the standard scale: see s 99(3). As to the standard scale see para 32 note 13 ante.
4 Ibid s 99(4).
5 Ibid s 99(5). Some trade marks may be lawful, even though they contain the royal arms or devices, emblems or titles within s 99: *Re Imperial Tobacco Co of Great Britain and Ireland's Trade Marks* [1915] 2 Ch 27 at 45, 32 RPC 361 at 369, CA. See also *Royal McBee Corpn's Applications* [1961] RPC 84.

6 See the Trade Descriptions Act 1968 s 12(1); and SALE OF GOODS AND SUPPLY OF SERVICES vol 41 (2005 Reissue) para 493.
7 See ibid s 12(2); and SALE OF GOODS AND SUPPLY OF SERVICES vol 41 (2005 Reissue) para 493.

(4) USE OF ARMORIAL BEARINGS

489. The Court of Chivalry. Complaints relating to the usurpation of armorial bearings[1] are dealt with by the Court of Chivalry, which has jurisdiction in matters of dignity and arms as far as they are not cognisable by the ordinary courts[2].

1 As to armorial bearings generally see PEERAGES AND DIGNITIES vol 35 (Reissue) para 970 et seq. See also the Trade Marks Act 1994 s 99(5); and para 488 ante.
2 See *Manchester Corpn v Manchester Palace of Varieties Ltd* [1955] P 133 at 149, [1955] 1 All ER 387 at 393, Court of Chivalry, per Lord Goddard, Surrogate; and PEERAGES AND DIGNITIES vol 35 (Reissue) para 973.

(5) USE OF NATIONAL EMBLEMS AND EMBLEMS OF INTERNATIONAL ORGANISATIONS

490. National emblems etc of Convention countries. Where the authorisation of the competent authorities of a Convention country[1] is or would be required for the registration of a trade mark[2], those authorities are entitled to restrain by injunction any use of the mark in the United Kingdom[3] without their authorisation[4].

1 For the meaning of 'Convention country' see para 6 note 2 ante.
2 Ie by virtue of the Trade Marks Act 1994 s 57 (as amended): see para 67 ante. For the meaning of 'trade mark' see para 57 ante.
3 For the meaning of 'United Kingdom' see para 3 note 2 ante.
4 Trade Marks Act 1994 s 57(6). Nothing in s 57 prevents the registration of a trade mark on the application of a national of a country who is authorised to make use of a state emblem, or official sign or hallmark, of that country, notwithstanding that it is similar to that of another country: see s 57(5); and para 67 ante.

491. Emblems etc of certain international organisations. Where the authorisation of an international organisation is or would be required for the registration of a trade mark[1], that organisation is entitled to restrain by injunction any use of the mark in the United Kingdom[2] without its authorisation[3].

1 Ie by virtue of the Trade Marks Act 1994 s 58 (as amended): see para 68 ante. For the meaning of 'trade mark' see para 57 ante.
2 For the meaning of 'United Kingdom' see para 3 note 2 ante.
3 Trade Marks Act 1994 s 58(4). Nothing in s 58 affects the rights of a person whose bona fide use of the trade mark in question began before 4 January 1962 (when the relevant provisions of the Paris Convention entered into force in relation to the United Kingdom): see the Trade Marks Act 1994 s 58(5); and para 68 ante. As to the Paris Convention see para 6 ante.

(6) THE OLYMPICS ASSOCIATION RIGHT, THE PARALYMPICS ASSOCIATION RIGHT AND THE LONDON OLYMPICS ASSOCIATION RIGHT

(i) The Olympics Association Right

492. Introduction. The Olympic Symbol etc (Protection) Act 1995 honoured a commitment made to the International Olympic Committee[1] to provide for the protection of the Olympic symbol[2], the Olympic motto[3] and the protected words[4]. The Act created a right, known as the Olympic association right[5], which is vested in one or

more persons appointed by the Secretary of State[6], who are thus the proprietors of the right[7]. The right might best be considered as a trade mark created by special Act of Parliament.

1 See 253 HC Official Report (6th series), 3 February 1995, col 1380. The United Kingdom is not party to the Treaty on the Protection of the Olympic Symbol (Nairobi, 26 September 1981).
2 As to the meaning of 'the Olympic symbol' see para 493 note 2 post.
3 As to the meaning of 'the Olympic motto' see para 493 note 3 post.
4 As to the meaning of 'the protected words' see para 493 note 4 post.
5 Olympic Symbol etc (Protection) Act 1995 s 1(1).
6 Ibid s 1(2), (2A)(a) (s 1(2A) added by the London Olympic Games and Paralympic Games Act 2006 s 32, Sch 3 paras 1, 2). An order may make different appointments for different purposes, may make provision for joint or concurrent exercise of rights and may apply (with or without modifications) or make provision similar to a provision of the Trade Marks Act 1994 s 23 (see para 128 ante): Olympic Symbol etc (Protection) Act 1995 s 1(2A)(b)–(d) (as so added). An order which revokes a previous order under s 1(2) may contain such supplementary and transitional provision as the Secretary of State thinks fit: s 1(3). A statutory instrument containing such an order is subject to annulment in pursuance of a resolution of either House of Parliament: s 1(4). The persons that have been appointed are the British Olympic Association and the London Organising Committee: see the Olympics and Paralympics Association Rights (Appointment of Proprietors) Order 2006, SI 2006/1119, art 4. As to the London Organising Committee see para 500 note 5 post.
7 See the Olympic Symbol etc (Protection) Act 1995 s 2(2). Subject to certain exceptions the Olympic Association right is exercisable by the proprietors jointly or concurrently: see the Olympics and Paralympics Association Rights (Appointment of Proprietors) Order 2006, SI 2006/1119, art 5. In respect of an act which is done, or to be done, in the United Kingdom on or before 31 December 2012 (a 'pre-2013 act'), the right to consent to an act under the Olympic Symbol etc Protection Act 1995 s 2(2)(b) (see para 493 post) is exercisable by either proprietor without the consent of the other: Olympics and Paralympics Association Rights (Appointment of Proprietors) Order 2006, SI 2006/1119, arts 2, 6(1). In respect of an act which is done, or to be done, in the United Kingdom on or after 1 January 2013 (a 'post-2012 act'), the right to consent to such an act is exercisable on or before 30 September 2012 by the proprietors jointly not concurrently and after 30 September 2012 by the British Olympic Association not by the London Organising Committee: arts 2, 6(2).

493. Scope of the Olympics association right. The Olympics association right[1] confers exclusive rights in relation to the use of the Olympic symbol[2], the Olympic motto[3] and the protected words[4]. The rights so conferred are infringed by any act done in the United Kingdom which constitutes infringement[5] and is done without the consent of the proprietor[6]. The proprietor may exploit the rights conferred for gain, but may not make any disposition of, or of any interest in or over, them[7].

A person infringes the Olympics association right if in the course of trade he uses a representation of the Olympic symbol, the Olympic motto or a protected word, or a representation of something so similar to the Olympic symbol or the Olympic motto as to be likely to create in the public mind an association with it or a word so similar to a protected word as to be likely to create in the public an association with the Olympic Games or the Olympic movement ('a controlled representation')[8].

A person uses a controlled representation if, in particular, he:

(1) affixes it to goods or the packaging thereof[9];
(2) incorporates it in a flag or banner[10];
(3) offers or exposes for sale, puts on the market or stocks for those purposes goods which bear it or whose packaging bears it[11];
(4) imports or exports goods which bear it or whose packaging bears it[12];
(5) offers or supplies services under a sign which consists of or contains it[13]; or
(6) uses it on business papers or in advertising[14].

1 Ie the right created by the Olympic Symbol etc (Protection) Act 1995 s 1(1): see para 492 ante. The right carries with it the rights and remedies provided by the Olympic Symbol etc (Protection) Act 1995, which are exercisable by the proprietor: s 1(2). There are two proprietors (see para 492 ante); nevertheless, the Act continues to refer to 'the proprietor' in the singular.

2 Ie the symbol of the International Olympic Committee, consisting of five interlocking rings: ibid s 18(1).
3 Ie the motto of the International Olympic Committee 'citius, altius, fortius': ibid s 18(1). References to the Olympic motto or a protected word include the motto or word in translation into any language: s 18(3).
4 Ibid s 2(1). See note 7 infra. The protected words are 'Olympiad', 'Olympiads', 'Olympian', 'Olympians', 'Olympic', and 'Olympics': s 18(2)(a) (s 18(2) substituted by the London Olympic Games and Paralympic Games Act 2006 s 32, Sch 3 paras 1, 8). The Secretary of State may by order amend the Olympic Symbol etc (Protection) Act 1995 s 18 (as amended) to reflect a change of motto or symbol of the International Olympic Committee: s 18(5) (s 18(5), (6) added by the London Olympic Games and Paralympic Games Act 2006 Sch 3 paras 1, 9). Such an order may include incidental, consequential or transition provision: Olympic Symbol etc (Protection) Act 1995 s 18(6)(a) (as so added). Such an order must be made by statutory instrument and is subject to annulment pursuant to a resolution of either House of Parliament: s 18(6)(b), (c) (as so added). As to the Secretary of State see para 14 ante.
5 Ie under ibid s 3: see note 8 infra. For the meaning of 'United Kingdom' see para 3 note 2 ante.
6 Ibid s 2(2). Consent given by the proprietor is, subject to its terms, binding on any person subsequently appointed as proprietor: s 2(5). See note 7 infra. The proprietor must comply with any directions given by the Secretary of State with respect to the exercise of the rights conferred by the Olympics association right under s 2(1): s 15(1). Such directions may be of a general or particular character, and may be varied or revoked by subsequent directions: s 15(2). A transaction between any person and the proprietor in his capacity as such is not void by reason only that the transaction was carried out in contravention of a direction, and a person dealing with the proprietor is not concerned to see or inquire whether a direction has been given or complied with: s 15(3).
7 Ibid s 2(3). Section 2 does not have effect to permit the doing of anything which would otherwise be liable to be prevented by virtue of a right subsisting immediately before 20 September 1995 (i e the day on which the Act came into force: Olympic Symbol etc (Protection) Act 1995 (Commencement) Order 1995, SI 1995/2472), or created by the registration of a design under the Registered Designs Act 1949 (see PATENTS AND REGISTERED DESIGNS) on or after 20 September 1995, or the registration of a trade mark under the Trade Marks Act 1994 (see para 352 et seq post) on or after that day: Olympic Symbol etc (Protection) Act 1995 s 2(4).
8 Ibid s 3(1) (amended by the London Olympic Games and Paralympic Games Act 2006 Sch 3 paras 1, 3(1)). 'Trade' includes a business or profession: Olympic Symbol etc (Protection) Act 1995 s 18(1).
9 Ibid s 3(2)(a).
10 Ibid s 3(2)(b).
11 Ibid s 3(2)(c).
12 Ibid s 3(2)(d).
13 Ibid s 3(2)(e).
14 Ibid s 3(2)(f).

494. Limits on the Olympics association right. The Olympics association right[1] is not infringed by the use of a controlled representation[2] in publishing or broadcasting a report of a sporting or other event forming part of the Olympic Games or information about the Olympic Games[3], nor is it infringed by the use of a controlled representation in an advertisement for a publication or broadcast of such a kind[4]. These exceptions do not apply to advertising material which is published or broadcast at the same time as, or in connection with, a report or information[5].

The London Olympics association right is also not infringed by the use of a controlled representation as an incidental inclusion in a literary work[6], dramatic work[7], artistic work[8], sound recording[9], film[10] or broadcast[11].

The Olympics association right is not infringed by use of a controlled representation in a context which is not likely to suggest an association between a person, product or service and the Olympic Games or the Olympic movement[12]. For this purpose, the concept of an association between a person, product or service and the Olympic Games or the Olympic movement includes, in particular: (1) any kind of contractual relationship[13]; (2) any kind of commercial relationship[14]; (3) any kind of corporate or structural connection[15]; and (4) the provision by a person of financial or other support for or in connection with the Olympic Games or the Olympic movement[16]. A person does not suggest an association between a person, product or service and the Olympic Games or the Olympic movement only by making a statement which accords with

honest practices in industrial or commercial matters and does not make promotional or other commercial use of a protected word by incorporating it in a context to which the Olympics Games and the Olympic movement are substantively irrelevant[17].

The Olympics association right is also not infringed by use of a controlled representation in relation to goods if:

(a) the goods have been put on the market in the European Economic Area by the proprietor or with his consent[18];

(b) the representation was used in relation to the goods when they were put on the market[19]; and

(c) the proprietor does not oppose further dealings in the goods for legitimate reasons (including, in particular, that the condition of the goods has been changed or impaired after they were put on the market)[20].

The Olympics association right is not infringed by use of a controlled representation where the use is for the purposes of an undertaking, and the way in which the representation is used for the purposes of the undertaking is a way in which it has been continuously used for those purposes since a date prior to 20 September 1995[21].

In the case of a representation of a protected word, the Olympics association right is not infringed by use as part of the name of a company, being a name which was the company's corporate name immediately before 20 September 1995, or the name under which a business is carried on, being a business which was carried on under that name immediately before 20 September 1995[22].

The Olympics association right is not infringed by use of a controlled representation where the use takes place under a right subsisting immediately before 20 September 1995, or is liable to be prevented by virtue of such a right[23].

The Olympics association right is not infringed by use of a controlled representation where the use takes place under a right created by the registration of a design[24] on or after 20 September 1995, or the registration of a trade mark[25] on or after that day, or is liable to be prevented by virtue of such a right[26].

The Olympics association right is not infringed by use of a controlled representation for the purposes of judicial or parliamentary proceedings, or a Royal Commission or statutory inquiry[27].

The Secretary of State[28] may by order made by statutory instrument specify additional cases in which the Olympics association right is not infringed[29]. The matters by reference to which a case may be specified include the description of controlled representation used, and the description of persons by whom a controlled representation is used[30].

1 Ie the right created by the Olympic Symbol etc (Protection) Act 1995 s 1(1): see paras 492–493 ante.

2 As to the meaning of 'controlled representation' see para 493 ante.

3 Olympic Symbol etc (Protection) Act 1995 s 4(1)(a), (b) (s 4(1)–(5) substituted by the London Olympic Games and Paralympic Games Act 2006 s 32(1), Sch 3 paras 1, 4).

4 Olympic Symbol etc (Protection) Act 1995 s 4(1)(d) (as substituted: see note 3 supra).

5 Ibid s 4(2) (as substituted: see note 3 supra).

6 For the meaning of 'literary work' see the Copyright, Designs and Patents Act 1988 s 3(1); and COPYRIGHT, DESIGN RIGHT AND RELATED RIGHTS vol 9(2) (2006 Reissue) para 67.

7 For the meaning of 'dramatic work' see ibid s 3(1); and COPYRIGHT, DESIGN RIGHT AND RELATED RIGHTS vol 9(2) (2006 Reissue) para 73.

8 For the meaning of 'artistic work' see ibid 4(1); and COPYRIGHT, DESIGN RIGHT AND RELATED RIGHTS vol 9(2) (2006 Reissue) para 75.

9 For the meaning of 'sound recording' see ibid ss 5A, 135A (as added); and COPYRIGHT, DESIGN RIGHT AND RELATED RIGHTS vol 9(2) (2006 Reissue) paras 84, 195.

10 For the meaning of 'film' see ibid s 5B (as added); and COPYRIGHT, DESIGN RIGHT AND RELATED RIGHTS vol 9(2) (2006 Reissue) para 86.

11 Olympic Symbol etc (Protection) Act 1995 s 4(1)(c) (as substituted: see note 3 supra). For the meaning of 'broadcast' see the Copyright, Designs and Patents Act 1988 s 6; and COPYRIGHT, DESIGN RIGHT AND RELATED RIGHTS vol 9(2) (2006 Reissue) para 89.
12 Olympic Symbol etc (Protection) Act 1995 s 4(3) (as substituted: see note 3 supra). The Secretary of State may by order specify what is to be or not to be treated for this purpose as an association between a person, product or service and the Olympic Games or the Olympic movement: s 4(4) (as so substituted). Such an order may include incidental, consequential or transitional provision (which may include provision amending s 4(3) (as substituted) (see notes 13–16 infra)): s 4(4)(a) (as so substituted). Such an order must be made by statutory instrument and may not be made unless a draft has been laid before and approved by resolution of each House of Parliament: s 4(4)(b), (c) (as so substituted).
13 Ibid s 4(3)(a)(i) (as substituted: see note 3 supra).
14 Ibid s 4(3)(a)(ii) (as substituted: see note 3 supra).
15 Ibid s 4(3)(a)(iii) (as substituted: see note 3 supra).
16 Ibid s 4(3)(a)(iv) (as substituted: see note 3 supra).
17 Ibid s 4(3)(b) (as substituted: see note 3 supra).
18 Ibid s 4(5)(a) (as substituted: see note 3 supra). As to the European Economic Area see para 102 ante.
19 Ibid s 4(5)(b) (as substituted: see note 3 supra).
20 Ibid s 4(5)(c) (as substituted: see note 3 supra).
21 Ibid s 4(11). In the application of s 4(11)–(14) to the Olympic Association right as it has effect by virtue of the amendment to the Olympic Symbol etc (Protection) Act 1995 s 3(1)(b) made by the London Olympic Games and Paralympic Games Act 2006 Sch 3 para 3(1), a reference to the commencement of the Act is to be treated as a reference to the commencement of that sub-paragraph (i e 30 March 2006): London Olympic Games and Paralympic Games Act 2006 Sch 3 para 3(2).
22 Olympic Symbol etc (Protection) Act 1995 s 4(12). See note 21 supra. 'Business' includes a trade or profession: s 18(1).
23 Ibid s 4(13). See note 21 supra.
24 Ie under the Registered Designs Act 1949.
25 Ie under the Trade Marks Act 1994.
26 Olympic Symbol etc (Protection) Act 1995 s 4(14). See note 21 supra.
27 Ibid s 4(15). 'Judicial proceedings' includes proceedings before any court, tribunal or person having authority to decide any matter affecting a person's legal rights or liabilities; 'Parliamentary proceedings' includes proceedings of the European Parliament; and 'statutory inquiry' means an inquiry held or investigation conducted in pursuance of a duty imposed or power conferred by or under an enactment: s 4(16).
28 As to the Secretary of State see para 14 ante.
29 Olympic Symbol etc (Protection) Act 1995 s 5(1). Such an order may contain such supplementary and transitional provision and savings as the Secretary of State thinks fit: s 5(3). Such an order is subject to annulment pursuant to a resolution of either House of Parliament: s 5(4) (added by the London Olympic Games and Paralympic Games Act 2006 Sch 3 paras 1, 5). At the date at which this volume states the law, no such order had been made.
30 Olympic Symbol etc (Protection) Act 1995 s 5(2).

495. Infringement of the Olympics association right; proceedings and remedies. An infringement of the Olympics association right[1] is actionable by the proprietor[2]. In an action for infringement, all such relief by way of damages, injunctions, accounts or otherwise is available to the proprietor as is available in respect of the infringement of a property right[3].

If in any civil proceedings a question arises as to the use to which a controlled representation has been put, it is for the proprietor to show what use was made of it[4]. If in any civil proceedings a question arises as to the application of any of the provisions relating to the circumstances in which the Olympic association right is not infringed[5], it is for the person who alleges that the provision applies to show that it does[6].

1 As to the Olympics association right see paras 492–493 ante.
2 Olympic Symbol etc (Protection) Act 1995 s 6(1). As to the proprietor see para 492 ante. Where the action is only in respect of a pre-2013 act, the right of the proprietor to bring an action for infringement is exercisable by either the British Olympic Association or the London Organising Committee: Olympics and Paralympics Association Rights (Appointment of Proprietors) Order 2006, SI 2006/1119, art 7(1)(a). In such a case the proprietor that brings the action may not, without the leave of the court, proceed with the action unless the other proprietor is either joined as a claimant or added as a defendant: art 7(2). A proprietor who is added as a defendant will not be made liable for any costs in the action unless it takes

part in the proceedings: art 7(3). Article 7(2) does not affect the granting of interim relief on the application of a single proprietor: art 7(4). Where the action is in respect of a post-2012 act, the right of the proprietor to bring an action for infringement is exercisable by the British Olympic Association and not by the London Organising Committee: art 7(1)(b). For the meanings of 'pre-2013 act' and 'post-2012 act' see para 492 note 7 ante.

3 Olympic Symbol etc (Protection) Act 1995 s 6(2). The Secretary of State has made, in relation to infringing goods, material and articles, provision corresponding to that made by the Trade Marks Act 1994 ss 15, 16, 18–20 (remedies for infringement: see paras 446, 461–463 ante) in relation to goods, material and articles which are infringing goods, material and articles for the purposes of that Act: Olympic Symbol etc (Protection) Act 1995 s 7(1), (5); Olympics Association Right (Infringement Proceedings) Regulations 1995, SI 1995/3325. As to the Secretary of State see para 14 ante. Goods are 'infringing goods' if they or their packaging bear a controlled representation, and: (1) the application of the representation to the goods or their packaging was an infringement of the Olympics association right; (2) the goods are proposed to be imported into the United Kingdom and the application of the representation in the United Kingdom to them or their packaging would be an infringement of that right; or (3) the representation has otherwise been used in relation to the goods in such a way as to infringe that right: Olympic Symbol etc (Protection) Act 1995 s 7(2). Nothing in s 7(2) is to be construed as affecting the importation of goods which may lawfully be imported into the United Kingdom by virtue of an enforceable Community right: s 7(6). Material is 'infringing material' if it bears a controlled representation, and either it is used for labelling or packaging goods, as a business paper, or for advertising goods or services or by being displayed, in such a way as to infringe the Olympics association right, or it is intended to be so used and such use would infringe that right: s 7(3) (amended by the London Olympic Games and Paralympic Games Act 2006 s 32, Sch 3 paras 1, 10). Articles are 'infringing articles' if they are articles which are specifically designed or adapted for making copies of a controlled representation, and which a person has in his possession, custody or control, knowing or having reason to believe that they have been or are to be used to produce infringing goods or material: Olympic Symbol etc (Protection) Act 1995 s 7(4).

4 Ibid s 17(1).

5 Ie under ibid s 4(1), (3), (5), (11)–(15) or s 5 (as amended): see para 494 ante.

6 Ibid s 17(2).

496. Detention by Her Majesty's Revenue and Customs. The proprietor[1] may give notice[2] in writing to the Commissioners for Her Majesty's Revenue and Customs stating that at a time and place specified in the notice, goods which are infringing goods, material or articles[3] are expected to arrive in the United Kingdom from outside the European Economic Area ('EEA') or from within the EEA but not having been entered for free circulation[4]; specifying the nature of the controlled representation[5] by reference to which the goods are infringing goods, material or articles[6]; and requesting the Commissioners to detain the goods[7].

The Commissioners may detain goods where they have received such a notice[8] but may not detain goods imported by a person for his private and domestic use or to which provisions of the Trade Marks Act 1994[9] apply[10].

If the Commissioners do detain goods where they have received such a notice[11] they must, as soon as is reasonably practicable, give written notice of the detention and the grounds for it to the person in whose name the goods were presented or declared to customs[12]. The Commissioners must also, as soon as is reasonable practicable, give the proprietor notice that the goods have been detained, specifying in respect of the goods such information as is available to the Commissioners about the nature of the goods, their number, the place where they were manufactured, the place from which they were sent, the name and address of the person by whom they were sent, the name and address of the person who was given the written notice[13], the name and address of the person to whom they were to be delivered, and the name and address of the person who holds them during detention[14].

The Commissioners must release goods so detained[15] if:

(1) they think that initiating process in proceedings[16] in respect of the goods has not been served during the period of ten working days[17], in the case of

non-perishable goods, or three working days, in the case of perishable goods, beginning with the date on which the notice that the goods had been detained[18] was received[19];

(2) they think that proceedings in respect of the goods[20] have been withdrawn, have lapsed or have terminated without an order being made[21] in respect of the goods[22]; or

(3) they are informed by the proprietor that the goods are not infringing goods, material or articles[23].

The Commissioners may also detain goods which they think, having regard to the nature of the goods and to information provided by the proprietor, may be infringing goods, material or articles[24]. If the Commissioners do detain such goods they must, as soon as is reasonably practicable, invite the proprietor to give them a notice that the goods are infringing goods, material or articles[25]. When giving such an invitation[26], the Commissioners must give in respect of the goods such information as is available to them about the nature of the goods, their number, the place where they were manufactured, the place from which they were sent, the name and address of the person by whom they were sent, the name and address of the person in whose name the goods were presented or declared to customs, the name and address of the person to whom they were to be delivered, and the name and address of the person who holds them during detention[27]. If no such notice is given[28] within the period of three working days beginning with the date on which the invitation is received, the Commissioners must release the goods[29].

The Commissioners may provide samples of detained goods to the proprietor on request, in which case he: (a) may use the samples only for the purpose of determining whether they are infringing goods, material or articles; (b) must return the samples to the Commissioners as soon as is reasonably practicable; and (c) must inform the Commissioners as soon as reasonably practicable whether the goods are infringing goods, material or articles[30].

The Commissioners may permit the proprietor on request to inspect detained goods[31], in which case the proprietor must inform the Commissioners as soon as is reasonably practicable whether the goods are infringing goods, material or articles[32].

1 As to the proprietor see para 492 ante.

2 The Commissioners may make regulations prescribing the form in which the notice is to be given and requiring a person giving notice: (1) to furnish the Commissioners with such evidence as may be specified in the regulations, either on giving notice or when the goods are imported, or at both those times; and (2) to comply with such other conditions as may be specified in the regulations: Trade Marks Act 1994 s 90(1); Olympic Symbol etc (Protection) Act 1995 s 12B(1) (s 12B added by the London Olympic Games and Paralympic Games Act 2006 s 32, Sch 3 paras 1, 14). The regulations may, in particular, require a person giving such a notice: (a) to pay such fees in respect of the notice as may be specified by the regulations; (b) to give such security as may be so specified in respect of any liability or expense which the Commissioners may incur in consequence of the notice by reason of the detention of any goods or anything done to goods detained; (c) to indemnify the Commissioners against any such liability or expense, whether security has been given or not: Trade Marks Act 1994 s 90(2); Olympic Symbol etc (Protection) Act s 12B(1) (as so added). The regulations may make different provision as respects different classes of case to which they apply and may include such incidental and supplementary provisions as the Commissioners consider expedient: Trade Marks Act 1994 s 90(3); Olympic Symbol etc (Protection) Act s 12B(1) (as so added). Such regulations must be made by statutory instrument subject to annulment in pursuance of a resolution of either House of Parliament: Trade Marks Act 1994 s 90(4); Olympic Symbol etc (Protection) Act s 12B(1) (as so added). As to the prescribed forms of the notices see the Goods Infringing the Olympics and Paralympics Association Rights (Customs) Regulations 2007, SI 2007/1508, which also require a person giving such a notice to indemnify the Commissioners.

3 As to infringing goods, material or articles see para 495 note 3 ante.

4 Olympic Symbol etc (Protection) Act 1995 s 12A(1)(a) (s 12A added by the London Olympic Games and Paralympic Games Act 2006 s 32, Sch 3 paras 1, 14). As to the European Economic Area see para 102 ante.

5 Olympic Symbol etc (Protection) Act 1995 s 12A(1)(b) (as added: see note 4 supra).
6 For the meaning of 'controlled representation' see para 493 ante.
7 Olympic Symbol etc (Protection) Act 1995 s 12A(1)(c) (as added: see note 4 supra). The provisions of the Customs and Excise Management Act 1979 s 139(1)–(4), (7) (see CUSTOMS AND EXCISE vol 12(2) (2007 Reissue) para 1155) apply in relation to goods liable to detention in accordance with the Olympic Symbol etc (Protection) Act 1995 s 12A (as added) as in relation to things liable to forfeiture with the substitution of a reference to the Olympic Symbol etc (Protection) Act 1995 for reference to the customs and excise Acts and with any other necessary modifications: Olympic Symbol etc (Protection) Act 1995 s 12B(3) (as added: see note 2 supra). The Customs and Excise Management Act 1979 s 144 applies in relation to the detention of goods in accordance with Olympic Symbol etc (Protection) Act 1995 s 12A (as added) with the substitution of a reference to proceedings under s 6 for the reference in the Customs and Excise Management Act 1979 s 144 to proceedings for condemnation and with any other necessary modifications: Olympic Symbol etc (Protection) Act 1995 s 12A(4) (as so added). See CUSTOMS AND EXCISE.
8 Ibid s 12A(2) (as added: see note 4 supra). The text refers to a notice under s 12A(1) (as added): see the text and notes 1–7 supra.
9 Ie the Trade Marks Act 1994 s 89(3): see para 149 ante.
10 Olympic Symbol etc (Protection) Act 1995 s 12A(3) (as added: see note 4 supra).
11 Ie a notice under ibid s 12A(1) (as added): see the text and notes 1–7 supra.
12 Ibid s 12A(4)(a) (as added: see note 4 supra).
13 Ie the person mentioned in ibid s 12A(4)(a) (as added): see the text to note 12 supra.
14 Ibid s 12A(4)(b) (as added: see note 4 supra). A person who is or was an officer or employee of the proprietor, or who acts or acted on the proprietor's behalf, commits an offence if he discloses information provided in accordance with s 12A(4)(b) (as added) or s 12A(8)(b) (as added) (see the text to note 27 infra) other than: (1) for the purpose of, or with a view to the institution of, proceedings under s 6 (see para 495 ante); (2) for the purpose of complying with an enactment; (3) in pursuance of an order of a court; (4) in a form which ensures that the identity of no person to whom the information relates is specified or can be deduced; (5) with the consent of each person to whom the information relates; or (6) with the consent of the Commissioners for Her Majesty's Revenue and Customs: s 12B(2) (as added: see note 2 supra). It is a defence for a person charged with an offence under s 12B(2) (as added) of disclosing information to prove that he reasonably believed that the disclosure was lawful, or that the information had already and lawfully been made available to the public: Commissioners for Revenue and Customs Act 2005 s 19(3); Olympic Symbol etc (Protection) Act 1995 s 12B(2) (as so added). A person guilty of an offence under s 12B(2) (as added) is liable on conviction on indictment to imprisonment for a term not exceeding two years or a fine or both, or on summary conviction to imprisonment for a term not exceeding 12 months or a fine not exceeding the statutory maximum or both: Commissioners for Revenue and Customs Act 2005 s 19(4); Olympic Symbol etc (Protection) Act 1995 s 12B(2) (as so added). Until the commencement of the Criminal Justice Act 2003 s 282 the reference in the Commissioners for Revenue and Customs Act 2005 s 19 to 12 months has effect as if it were a reference to 6 months: see s 55(1); Olympic Symbol etc (Protection) Act 1995 s 12B(2) (as so added). See CRIMINAL LAW, EVIDENCE AND PROCEDURE vol 11(3) (2006 Reissue) para 1121. See also CUSTOMS AND EXCISE.
15 Ie goods detained in pursuance of a notice under ibid s 12A(1) (as added): see the text and notes 1–7 supra.
16 The proceedings referred to in the text are proceedings under ibid s 6 (see para 495 ante).
17 'Working day' means a day that is not a Saturday, a Sunday or a bank holiday within the meaning of the Banking and Financial Dealings Act 1971 s 1 (see TIME): Olympic Symbol etc (Protection) Act 1995 s 12B(5) (as added: see note 2 supra).
18 The text refers to a notice under ibid s 12A(4)(b) (as added) (see the text to note 14 supra) that the goods had been detained.
19 Ibid s 12A(7)(a) (as added: see note 4 supra).
20 The text refers to proceedings under ibid s 6 (see para 495 ante).
21 The text refers to an order under ibid s 7 (see para 495 ante).
22 Ibid s 12A(7)(b) (as added: see note 4 supra).
23 Ibid s 12A(7)(c) (as added: see note 4 supra).
24 Ibid s 12A(8) (as added: see note 4 supra).
25 Ibid s 12A(8)(a) (as added: see note 4 supra).
26 Ie an invitation under ibid s 12A(8)(a) (as added): see the text to note 25 supra.
27 Ibid s 12A(8)(b) (as added: see note 4 supra). See note 14 supra.
28 Ie in accordance with ibid s 12A(8)(a) (as added): see the text to note 25 supra.
29 Ibid s 12A(8)(e) (as added: see note 4 supra). If a notice is given in accordance with s 12A(8)(a) (as added) (see the text to note 25 supra), the Commissioners must proceed as if it were a notice given under s 12A(1) (as added) (see the text and notes 1–7 supra) (and as if the goods were detained in pursuance of

that notice), but s 12A(4)(b), (5), (6) (as added) do not have effect, and s 12A(7) (as added) has effect as if the reference to the notice under s 12A(4)(b) (as added) were a reference to information under s 12A(8)(b): s 12A(8)(f) (as so added).

30 Ibid s 12A(5), (8)(c) (as added: see note 4 supra).

31 Ibid s 12A(6), (8)(d) (as added: see note 4 supra). The text refers to goods detained under s 12A(1) (as added) (see the text and notes 1–7 supra) or s 12A(8) (as added).

32 Ibid s 12A(6), (8)(d) (as added: see note 4 supra).

497. Remedy for groundless threats. Where the proprietor[1] threatens another with proceedings for infringement of the Olympics association right[2] other than the application to goods or their packaging of a controlled representation[3], the importation of goods to which, or to the packaging of which, such a representation has been applied, or the supply of services under a sign which consists of or contains such a representation, any person aggrieved may bring proceedings for relief[4].

The relief which may be applied for is any of the following: (1) a declaration that the threats are unjustifiable; (2) an injunction against the continuance of the threats; and (3) damages in respect of any loss he has sustained by the threats[5].

A claimant is entitled to the relief applied for unless the defendant shows that the acts in respect of which proceedings were threatened constitute, or if done would constitute, an infringement of the Olympics association right[6].

1 As to the proprietor see para 492 ante. There is nothing to stop persons other than the proprietor from making groundless threats for infringement of the Olympics association right.

2 As to the Olympics association right see paras 492–493 ante.

3 As to the meaning of 'controlled representation' see para 493 ante.

4 Olympic Symbol etc (Protection) Act 1995 s 16(1). The mere notification of the rights conferred by the Olympic Symbol etc (Protection) Act 1995 does not constitute a threat of proceedings: s 16(4). See also para 123 note 1 ante.

5 Ibid s 16(2).

6 Ibid s 16(3).

498. Offences. A person who, with a view to gain for himself or another, or with intent to cause loss to another, and without the consent of the proprietor:

(1) applies a controlled representation[1] to goods or their packaging[2];

(2) sells or lets for hire, offers or exposes for sale or hire or distributes goods which bear, or the packaging of which bears, such a representation[3]; or

(3) has in his possession, custody or control in the course of a business[4] any such goods with a view to the doing of anything, by himself or another, which would be an offence under head (2) above[5],

is guilty of an offence[6].

A person who, with a view to gain for himself or another, or with intent to cause loss to another, and without the consent of the proprietor:

(a) applies a controlled representation to material intended to be used for labelling or packaging goods, as a business paper in relation to goods, or for advertising goods[7];

(b) uses in the course of a business material bearing such a representation for labelling or packaging goods, as a business paper in relation to goods, or for advertising goods[8]; or

(c) has in his possession, custody or control in the course of a business any such material with a view to the doing of anything, by himself or another, which would be an offence under head (b) above[9],

is guilty of an offence[10].

A person who, with a view to gain for himself or another, or with intent to cause loss to another, and without the consent of the proprietor:

(i) makes an article specifically designed or adapted for making copies of a controlled representation[11]; or

(ii) has such an article in his possession, custody or control in the course of a business[12],

knowing or having reason to believe that it has been, or is to be, used to produce goods, or material for labelling or packaging goods, as a business paper in relation to goods, or for advertising goods, is guilty of an offence[13].

It is a defence for a person charged with an offence under any of the above provisions to show that he believed on reasonable grounds that the use of the representation in the manner in which it was used, or was to be used, was not an infringement of the Olympics association right[14].

A person guilty of an offence under any of the above provisions is liable on conviction to a fine[15].

The statutory provisions[16] under the Trade Marks Act 1994 relating to offences committed by partnerships and bodies corporate apply in relation to an offence under the Olympic Symbol etc (Protection) Act 1995 as they do to an offence under the Trade Marks Act 1994[17].

The statutory provisions[18] providing for the forfeiture of certain goods, material or articles which come into the possession of any person in connection with the investigation or prosecution of an under the Trade Marks Act 1994 also have effect in relation to offences under the Olympic Symbol etc (Protection) Act 1995 with certain modifications[19].

1 For the meaning of 'controlled representation' see para 493 ante.
2 Olympic Symbol etc (Protection) Act 1995 s 8(1)(a).
3 Ibid s 8(1)(b).
4 For the meaning of 'business' see para 494 note 22 ante.
5 Olympic Symbol etc (Protection) Act 1995 s 8(1)(c).
6 Ibid s 8(1). A local weights and measures authority may enforce within its area the provisions of s 8; and the Trade Descriptions Act 1968 s 27 (power to make test purchases), s 28 (power to enter premises and inspect and seize goods and documents), s 29 (obstruction of authorised officers) and s 33 (compensation for loss etc of goods seized) apply in relation to the enforcement of the Olympic Symbol etc (Protection) Act 1995 s 8 as in relation to the enforcement of the Trade Descriptions Act 1968: Olympic Symbol etc (Protection) Act 1995 s 8A(1), (2) (s 8A added by the London Olympic Games and Paralympic Games Act 2006 s 32, Sch 3 paras 1, 12). See SALE OF GOODS AND SUPPLY OF SERVICES vol 41 (2005 Reissue) paras 508–509, 511.
7 Olympic Symbol etc (Protection) Act 1995 s 8(2)(a).
8 Ibid s 8(2)(b).
9 Ibid s 8(2)(c).
10 Ibid s 8(2). See note 6 supra.
11 Ibid s 8(3)(a).
12 Ibid s 8(3)(b).
13 Ibid s 8(3). See note 6 supra.
14 Ibid s 8(4). As to the Olympics association right see paras 492–493 ante.
15 Ibid s 8(5). Such a person is liable on summary conviction to a fine not exceeding the statutory maximum (except during the period beginning on 1 May 2006 and ending on 31 December 2012, when he is liable on summary conviction to a fine not exceeding £20,000), and on conviction on indictment to a fine: see s 8(5); and the London Olympic Games and Paralympic Games Act 2006 s 32, Sch 3 para 11. As to the statutory maximum see para 141 note 6 ante. As to offences committed by partnerships and bodies corporate see para 139 ante.
16 Ie the Trade Marks Act 1994 s 101: see para 139 ante.
17 Olympic Symbol etc (Protection) Act 1995 s 10.
18 Ie the Trade Marks Act 1994 s 97: see para 140 ante.
19 Olympic Symbol etc (Protection) Act 1995 s 11(1). As to the modifications (the main effect of which is to substitute references to 'controlled representation' for 'sign identical to or likely to be mistaken for a registered trade mark') see s 11(2)–(4).

(ii) The Paralympics Association Right

499. The Paralympics association right. There is a right known as the Paralympics association right[1]. This right protects the Paralympic symbol[2], the Paralympic motto[3] and the protected words in relation to the Paralympics association right[4] in the same way as the Olympic association right protects the Olympic symbol, the Olympic motto and the protected words in relation to the Olympics association right[5].

1 Olympic Symbol etc (Protection) Act 1995 s 5A(1) (added by the London Olympic Games and Paralympic Games Act 2006 s 32, Sch 3 para 6).
2 Ie the symbol of the International Paralympic Committee: Olympic Symbol etc (Protection) Act 1995 s 18(1) (amended by the London Olympic Games and Paralympic Games Act 2006 Sch 3 para 7).
3 Ie the motto of International Paralympic Committee 'spirit in motion': Olympic Symbol etc (Protection) Act 1995 s 18(1) (amended by the London Olympic Games and Paralympic Games Act 2006 Sch 3 para 7).
4 The protected words in relation to the Paralympics association right are 'Paralympiad', 'Paralympiads', 'Paralympian', 'Paralympians', 'Paralympic' and 'Paralympics': Olympic Symbol etc (Protection) Act 1995 s 18(2)(b) (amended by the London Olympic Games and Paralympic Games Act 2006 Sch 3 para 8).
5 The provisions of the Olympic Symbol etc (Protection) Act 1995 apply in relation to the Paralympics association right as they apply to the Olympics association right; and for this purpose references to the Olympic Games, Olympic motto, Olympic movement and Olympic symbol are to be treated as references to the Paralympic Games, Paralympic motto, Paralympic movement and Paralympic symbol respectively; and references to the commencement of the Olympic Symbol etc (Protection) Act 1995 are to be treated as references to the commencement of the London Olympic Games and Paralympic Games Act 2006: Olympic Symbol etc (Protection) Act 1995 s 5A(2) (added by the London Olympic Games and Paralympic Games Act 2006 s 32, Sch 3 para 6). The proprietors of the Paralympics association right are the British Paralympic Association and the London Organising Committee: Olympics and Paralympics Association Rights (Appointment of Proprietors) Order 2006, SI 2006/1119, art 8.

(iii) The London Olympics Association Right

500. Introduction. There is a right known as the London Olympics association right[1]. This right protects the London Olympics[2]. It is similar in many respects to the Olympics association right[3], but it has a broader scope[4]. The proprietor of the London Olympics association right is the London Organising Committee[5].

1 London Olympic Games and Paralympic Games Act 2006 s 33, Sch 4 para 1(1).
2 Ie the Games of the Thirtieth Olympiad that are to take place in 2012 and the Paralympic Games that are to take place in that year: London Olympic Games and Paralympic Games Act 2006 s 1(1).
3 For the meaning of the 'Olympics Association right' see para 493 note 1 ante.
4 See para 501 post.
5 See the London Olympic Games and Paralympic Games Act 2006 Sch 4 para 10(2)(b). The London Organising Committee is the organising committee formed in accordance with s 2 of the Host City Contract as the company limited by guarantee registered as the London Organising Committee of the Olympic Games Ltd ('LOCOG'): s 1(3)(d). The Host City Contract is the contract for the Games of the Thirtieth Olympiad that are to take place in 2012, signed at Singapore on 6 July 2005 and entered into by the International Olympic Committee, the Mayor of London and the British Olympic Association: London Olympic Games and Paralympic Games Act 2006 s 1(3)(e).

501. Scope of the London Olympics association right. The London Olympics association right[1] confers exclusive rights in relation to the use of any representation, of any kind, in a manner likely to suggest to the public that there is an association between the London Olympics[2] and goods or services or a person who provides goods or services[3]. For these purposes, the concept of an association between a person, goods or a service and the London Olympics includes, in particular, any kind of contractual relationship, any kind of commercial relationship, any kind of corporate or structural connection and the provision by a person of financial or other support for or in

connection with the London Olympics[4]. However, a person does not suggest an association between a person, goods or a service and the London Olympics only by making a statement which accords with honest practices in industrial or commercial matters and which does not make promotional or other commercial use of a representation relating to the London Olympics by incorporating it in a context to which the London Olympics are substantively irrelevant[5]. The Secretary of State may by order made by statutory instrument specify what is to be or not to be treated for these purposes as an association between a person, goods or a service and the London Olympics[6]. The rights so conferred are infringed by any act done in the United Kingdom which constitutes infringement[7] and is done without the consent of the proprietor[8]. The proprietor may exploit the rights conferred for gain, but may not make any disposition of, or of any interest in or over, them[9].

A person infringes the London Olympic association right if in the course of trade he uses in relation to goods or services any representation, of any kind, in a manner likely to suggest to the public that there is an association between the London Olympics and the goods or services or a person who provides the goods or services[10]. For the purpose of considering whether a person has infringed the London Olympics association right a court may, in particular, take account of his use of a specified combination of expressions[11]. The specified combinations are combinations of any of the expressions in a first group with any of the expressions in a second group or any other expression in the first group[12]. The first group consists of 'games', 'Two Thousand and Twelve', '2012' and 'twenty twelve'[13]. The second groups consists of 'gold', 'silver', 'bronze', 'London', 'medals', 'sponsor' and 'summer'[14]. It is immaterial for these purposes whether or not a word is written wholly or partly in capital letters[15]. The Secretary of State may by order made by statutory instrument add, remove or vary an entry in either group of expressions[16], but an order which adds or varies an entry may be made only if the Secretary of State thinks it necessary in order to prevent commercial exploitation of the London Olympics[17].

A person uses a visual or verbal representation likely to create in the public mind an association between the London Olympics and goods or services or a provider of goods or services (a 'controlled representation'[18]) if, in particular, he:

(1) affixes it to goods or the packaging thereof[19];

(2) incorporates it in a flag or banner[20];

(3) offers or exposes for sale, puts on the market or stocks for those purposes goods which bear it or whose packaging bears it[21];

(4) imports or exports goods which bear it or whose packaging bears it[22];

(5) offers or supplies services under a sign which consists of or contains it[23]; or

(6) uses it on business papers or in advertising[24].

1 For the meaning of the 'London Olympic association right' see para 500 ante.

2 For the meaning of the 'London Olympics' see para 500 ante.

3 London Olympic Games and Paralympic Games Act 2006 s 33, Sch 4 para 1(1). The proprietor must comply with any directions given by the Secretary of State with respect to the exercise of the rights conferred by the Olympics association right under the Olympic Symbol etc (Protection) Act 1995 s 2(1) (see para 493 ante): s 15(1) (s 15 applied by the London Olympic Games and Paralympic Games Act 2006 Sch 4 para 10(1)(g)). Such directions may be of a general or particular character, and may be varied or revoked by subsequent directions: Olympic Symbol etc (Protection) Act 1995 s 15(2) (as so applied). A transaction between any person and the proprietor in his capacity as such is not void by reason only that the transaction was carried out in contravention of a direction, and a person dealing with the proprietor is not concerned to see or inquire whether a direction has been given or complied with: s 15(3) (as so applied). As to the proprietor see para 500 ante. As to the Secretary of State see para 14 ante.

4 London Olympic Games and Paralympic Games Act 2006 Sch 4 para 1(2)(a).

5 Ibid Sch 4 para 1(2)(b).

6 Ibid Sch 4 para 1(3). Such an order may include incidental, consequential or transitional provisions: Sch 4 para 1(3)(a). Such an order may not be made unless a draft has been laid before and approved by resolution of each House of Parliament: Sch 4 para 1(3)(c). At the date at which this volume states the law no such order had been made.
7 Ie under ibid Sch 4 para 2(1): see note 10 infra. For the meaning of 'United Kingdom' see para 3 note 2 ante.
8 Olympic Symbol etc (Protection) Act 1995 s 2(2) (applied by the London Olympic Games and Paralympic Games Act 2006 Sch 4 para 10(1)(a)).
9 Olympic Symbol etc (Protection) Act 1995 s 2(3) (applied by the London Olympic Games and Paralympic Games Act 2006 Sch 4 para 10(1)(a)). This provision does not have effect to permit the doing of anything which would otherwise be liable to be prevented by virtue of a right subsisting immediately before 30 March 2006 or created by the registration of a design under the Registered Designs Act 1949 (see PATENTS AND REGISTERED DESIGNS) or by the registration of a trade mark under the Trade Marks Act 1994 (see para 352 et seq ante) on or after that day: Olympic Symbol etc (Protection) Act 1995 s 2(4) (as so applied). The date referred to above is the day on which the London Olympic Games and Paralympic Games Act 2006 Sch 4 came into force: see s 40(1)(d); and see Sch 4 para 10(2)(c).
10 Ibid Sch 4 para 2(1). This is subject to the provisions of Sch 4: Sch 4 para 2(2).
11 Ibid Sch 4 para 3(1).
12 Ibid Sch 4 para 3(2).
13 Ibid Sch 4 para 3(3).
14 Ibid Sch 4 para 3(4).
15 Ibid Sch 4 para 3(5).
16 Ibid Sch 4 para 3(6), (7)(a). An order may not be made unless a draft has been laid before and approved by resolution of each House of Parliament: Sch 4 para 3(7)(b). Before laying a draft order the Secretary of State must consult: (1) one or more persons who appear to him to have relevant responsibility for regulating the advertising industry including enforcing standards of professional conduct; (2) one or more persons who appears to him to represent the interests of the advertising industry; (3) the London Organising Committee; and (4) such other persons as he thinks appropriate: Sch 4 para 3(9).
17 Ibid Sch 4 para 3(8).
18 Ibid Sch 4 para 10(2)(a).
19 Olympic Symbol etc Protection Act 1995 s 3(2)(a) (s 3(2) applied by the London Olympic Games and Paralympic Games Act 2006 Sch 4 para 10(1)(b)).
20 Olympic Symbol etc Protection Act 1995 s 3(2)(b) (as applied: see note 19 supra).
21 Ibid s 3(2)(c) (as applied: see note 19 supra).
22 Ibid s 3(2)(d) (as applied: see note 19 supra).
23 Ibid s 3(2)(e) (as applied: see note 19 supra).
24 Ibid s 3(2)(f) (as applied: see note 19 supra).

502. Authorised use of representations. The London Olympics association right[1] is not infringed by use of a representation in accordance with an authorisation granted by the London Organising Committee[2]. The London Organising Committee must make arrangements for the grant of authorisations[3]. The London Organising Committee must also maintain a register of persons, and classes of persons, so authorised[4]. The register must specify in relation to each authorised person his name, his principal place of business, the goods or services to which the authorisation relates and the period in respect of which the authorisation has effect[5]. The register must specify in respect of each authorised class of person the nature of the class, the goods or services to which the authorisation relates (including the circumstances in which it does or does not apply), and the period in respect of which the authorisation has effect[6]. The London Organising Committee must ensure that a copy of the register is accessible to the public by use of the internet and must comply with a written request for a copy of the register or of an entry in the register[7]. The London Organising Committee may require such a request to be accompanied by a specified fee[8]. A request for a copy may require the copy to be certified on behalf of the Committee as an accurate copy[9]. If a copy of the register or of an entry in the register is certified on behalf of the Committee as an accurate copy, it is treated as accurate for all purposes unless the contrary is proved[10].

1 As to the London Olympics association right see para 500–501 ante.

2 London Olympic Games and Paralympic Games Act 2006 s 33, Sch 4 para 4(1). As to the London Organising Committee see para 500 note 5 ante.
3 Ibid Sch 4 para 4(2). The arrangements may make provision about charges and enable the London Organising Committee to exercise unfettered discretion (subject to any direction under the Olympic Symbol etc (Protection) Act 1995 s 15 (as applied) (see para 501 ante): London Olympic Games and Paralympic Games Act 2006 Sch 4 para 4(2).
4 Ibid Sch 4 para 5(1).
5 Ibid Sch 4 para 5(2).
6 Ibid Sch 4 para 5(3).
7 Ibid Sch 4 para 5(4).
8 Ibid Sch 4 para 5(5). The London Organising Committee may specify different fees for different purposes, may charge no fee, or waive a fee, in such cases as it thinks appropriate and may not specify a fee which exceeds any maximum specified by order of the Secretary of State: Sch 4 para 5(5). Such an order must be made by statutory instrument, may make different provision for different purposes, may include transitional provision and is subject to annulment pursuant to a resolution of either House of Parliament: Sch 4 para 5(6). At the date at which this volume states the law no such order had been made.
9 Ibid Sch 4 para 5(8).
10 Ibid Sch 4 para 5(7).

503. Other limits on the London Olympics association right. The London Olympics association right[1] is not infringed by the use:

(1) of a trade mark registered under the Trade Marks Act 1994 in relation to goods or service for which it is registered[2];
(2) by a person of his own name or address provided that the use is in accordance with honest practices in industrial matters[3];
(3) of indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, time of production of goods or of rendering of services, or other characteristics of goods or services provided that the use is in accordance with honest practices in industrial matters[4];
(4) of a representation which is necessary to indicate the intended purpose of a product or service provided that the use is in accordance with honest practices in industrial matters[5];
(5) of a representation in publishing or broadcasting a report of a sporting or other event forming part of the London Olympics or information about the London Olympics[6];
(6) of a representation in an advertisement for a publication or broadcast of such a kind[7];
(7) of a representation as an incidental inclusion[8] in a literary work, dramatic work, artistic work, sound recording, film or broadcast[9];
(8) of a representation in relation to goods if:
    (a) the goods were put on the market in the European Economic Area in accordance with an authorisation granted by the London Organising Committee[10];
    (b) the representation was used in relation to the goods when they were put upon the market[11]; and
    (c) the London Organising Committee does not oppose further dealings in the goods for legitimate reasons including, in particular, that the condition of the goods has been changed or impaired after they were put on the market[12];
(9) of a controlled representation where the use is for the purposes of an undertaking, and the way in which the representation is used for the purposes of the undertaking is a way in which it has been continuously used for those purposes since a date prior to 30 March 2006[13];
(10) of a controlled representation as part of the name of a company, being a name

which was the company's corporate name immediately before 30 March 2006, or the name under which a business is carried on, being a business which was carried on under that name immediately before 30 March 2006[14];

(11) of a controlled representation where the use takes place under a right subsisting immediately before 30 March 2006, or is liable to be prevented by virtue of such a right[15];

(12) of a controlled representation where the use takes place under a right created by the registration of a design[16] on or after 30 March 2006, or the registration of a trade mark[17] on or after that day, or is liable to be prevented by virtue of such a right[18].

The Secretary of State[19] may by order made by statutory instrument specify additional cases in which the London Olympics association right is not infringed[20]. The matters by reference to which a case may be specified include the description of controlled representation used, and the description of persons by whom a controlled representation is used[21].

1 As to the London Olympics association right see paras 500–501 ante.

2 London Olympic Games and Paralympic Games Act 2006 s 33, Sch 4 para 6.

3 Ibid Sch 4 para 7(a). See also the Trade Marks Act 1994 s 11(2)(a); and para 93 ante.

4 London Olympic Games and Paralympic Games Act 2006 Sch 4 para 7(b). See also the Trade Marks Act 1994 s 11(2)(b); and para 94 ante.

5 London Olympic Games and Paralympic Games Act 2006 Sch 4 para 7(c). See also the Trade Marks Act 1994 s 11(2)(c); and para 95 ante.

6 London Olympic Games and Paralympic Games Act 2006 Sch 4 para 8(1)(a), (b). The exceptions in Sch 4 para 8(1)(a), (b) do not apply to advertising material which is published or broadcast at the same time as, or in connection with, a report or information: Sch 4 para 8(2). As to the London Olympics see para 500 ante.

7 Ibid Sch 4 para 8(1)(d).

8 Ie within the meaning of the Copyright, Designs and Patents Act 1988 s 31: see COPYRIGHT, DESIGN RIGHT AND RELATED RIGHTS vol 9(2) (2006 Reissue) para 342.

9 London Olympic Games and Paralympic Games Act 2006 Sch 4 para 8(1)(c). For the meanings of 'literary work' and 'dramatic work' see the Copyright, Designs and Patents Act 1988 s 3(1); and COPYRIGHT, DESIGN RIGHT AND RELATED RIGHTS vol 9(2) (2006 Reissue) paras 67, 73. For the meaning of 'artistic work' see s 4(1); and COPYRIGHT, DESIGN RIGHT AND RELATED RIGHTS vol 9(2) (2006 Reissue) para 75. For the meaning of 'sound recording' see ss 5A, 135A (both as added); and COPYRIGHT, DESIGN RIGHT AND RELATED RIGHTS vol 9(2) (2006 Reissue) paras 84, 195.

10 London Olympic Games and Paralympic Games Act 2006 Sch 4 para 9(a). Cf the Trade Marks Act 1994 s 12; and paras 102–105 ante. As to the European Economic Area see para 102 ante. As to the London Organising Committee see para 500 note 5 ante.

11 London Olympic Games and Paralympic Games Act 2006 Sch 4 para 9(b). See note 10 supra.

12 Ibid Sch 4 para 9(c). See note 10 supra.

13 Olympic Symbol etc (Protection) Act 1995 s 4(11) (applied by the London Olympic Games and Paralympic Games Act 2006 Sch 4 para 10(1)(c)). The date referred to in head (9) in the text is the date on which the London Olympic Games and Paralympic Games Act 2006 Sch 4 came into force: see s 40(1)(d); and see Sch 4 para 10(2)(c).

14 Olympic Symbol etc (Protection) Act 1995 s 4(12) (as applied: see note 13 supra). As to the date referred to in the text see note 13 supra.

15 Ibid s 4(13) (as applied: see note 13 supra). As to the date referred to in the text see note 13 supra.

16 Ie under the Registered Designs Act 1949.

17 Ie under the Trade Marks Act 1994.

18 Olympic Symbol etc (Protection) Act 1995 s 4(14) (as applied: see note 13 supra). As to the date referred to in the text see note 13 supra.

19 As to the Secretary of State see para 14 ante.

20 Olympic Symbol etc (Protection) Act 1995 s 5(1) (applied by the London Olympic Games and Paralympic Games Act 2006 Sch 4 para 10(1)(d)). Such an order may contain such supplementary and transitional provision and savings as the Secretary of State thinks fit: Olympic Symbol etc (Protection) Act 1995 s 5(3) (as so applied). Such an order is subject to annulment pursuant to a resolution of either House of Parliament: s 5(4) (added by the London Olympic Games and Paralympic Games Act 2006

Sch 3 para 5; and so applied). At the date at which this volume states the law, no order had been made under the Olympic Symbol etc (Protection) Act 1995 s 5 (as amended and applied).

21 Ibid s 5(2) (as applied: see note 20 supra).

504. Infringement of the London Olympics association right; proceedings and remedies. An infringement of the London Olympics association right[1] is actionable by the proprietor[2]. In an action for infringement, all such relief by way of damages, injunctions, accounts or otherwise is available to the proprietor as is available in respect of the infringement of a property right[3].

1 As to the London Olympics association right see paras 500–501 ante.

2 Olympic Symbol etc (Protection) Act 1995 s 6(1) (applied by the London Olympic Games and Paralympic Games Act 2006 Sch 4 para 10(1)(e)). As to the proprietor see para 500 ante.

3 Olympic Symbol etc (Protection) Act 1995 s 6(2) (as applied: see note 2 supra). The Secretary of State has the power to make, in relation to infringing goods, material and articles, provision corresponding to that made by the Trade Marks Act 1994 ss 15, 16, 18–20 (remedies for infringement: see paras 446, 461–463 ante) in relation to goods, material and articles which are infringing goods, material and articles for the purposes of the Trade Marks Act 1994: Olympic Symbol etc (Protection) Act 1995 s 7(1), (5) (as so applied). As to the regulations made under s 7(1), (5) see the Olympics Association Right (Infringement Proceedings) Regulations 1995, SI 1995/3325; and para 495 ante. As to the Secretary of State see para 14 ante. As to when material is 'infringing material' and articles are 'infringing articles' see the Olympic Symbol etc (Protection) Act 1995 s 7(3), (4) (as so applied); and para 495 note 3 ante.

505. Remedy for groundless threats. Where the proprietor[1] threatens another with proceedings for infringement of the London Olympics association right[2] other than: (1) the application to goods or their packaging of a controlled representation[3]; (2) the importation of goods to which, or to the packaging of which, such a representation has been applied; or (3) the supply of services under a sign which consists of or contains such a representation, any person aggrieved may bring proceedings for relief[4].

The relief which may be applied for is any of the following: (a) a declaration that the threats are unjustifiable; (b) an injunction against the continuance of the threats; and (c) damages in respect of any loss he has sustained by the threats[5].

A claimant is entitled to the relief applied for unless the defendant shows that the acts in respect of which proceedings were threatened constitute, or if done would constitute, an infringement of the London Olympics association right[6].

1 As to the proprietor see para 500 ante. There is nothing to stop persons other than the proprietor from making groundless threats for infringement of the London Olympics association right.

2 As to the London Olympics association right see paras 500–501 ante.

3 As to the meaning of 'controlled representation' see para 501 ante.

4 Olympic Symbol etc (Protection) Act 1995 s 16(1) (applied by the London Olympic Games and Paralympic Games Act 2006 s 33, Sch 4 para 10(1)(h)). The mere notification of the rights conferred by the London Olympic Games and Paralympic Games Act 2006 does not constitute a threat of proceedings: Olympic Symbol etc (Protection) Act 1995 s 16(4) (as so applied). See also para 123 note 1 ante.

5 Ibid s 16(2) (as applied: see note 4 supra).

6 Ibid s 16(3) (as applied: see note 4 supra).

(7) USE OF RED CROSS AND MILITARY EMBLEMS

506. Restrictions on use of Red Cross and associated emblems. It is not lawful for any person, without the authority of the Secretary of State[1], to use for any purpose whatsoever any of the following emblems or designations[2]:

(1) the emblem of a red cross with vertical and horizontal arms of the same length on, and completely surrounded by, a white ground, or the designation 'Red Cross' or 'Geneva Cross'[3];

(2) the emblem of a red crescent moon on, and completely surrounded by, a white ground, or the designation 'Red Crescent'[4];

(3) the following emblem in red on, and completely surrounded by, a white ground, that is to say, a lion passing from right to left of, and with its face turned towards, the observer, holding erect in its raised right forepaw a scimitar, with, appearing above the lion's back, the upper half of the sun shooting forth rays, or the designation 'Red Lion and Sun'[5];

(4) the sign of an equilateral blue triangle on, and completely surrounded by, an orange ground, being the international distinctive sign of civil defence[6];

(5) any of the distinctive symbols specified in Chapter III of Annex I to the first protocol to the Geneva Convention[7], being the signals of identification for medical units and transports[8].

Nor is it lawful for any person, without the authority of the Secretary of State, to use for any purpose whatsoever[9]:

(a) any design consisting of a white or silver cross with vertical and horizontal arms of the same length on, and completely surrounded by, a red ground, being the heraldic emblem of the Swiss Confederation, or any other design so nearly resembling that design as to be capable of being mistaken for that heraldic emblem[10];

(b) any design or wording so nearly resembling any of the emblems or designations specified in heads (1) to (3) above as to be capable of being mistaken for, or, as the case may be, understood as referring to, one of those emblems[11];

(c) any design so nearly resembling the sign specified in head (4) above as to be capable of being mistaken for that sign[12];

(d) any signal so nearly resembling any of the signals referred to in head (5) above as to be capable of being mistaken for one of those signals[13].

If any person contravenes the above provisions, he is guilty of an offence and liable on summary conviction to a fine[14] and to forfeit any goods or other article upon or in connection with which the emblem, designation, sign, signal, design or wording was used[15].

In the case of a trade mark registered before 31 July 1957[16] the above provisions do not apply by reason only of its consisting of or containing a design or wording which reproduces or resembles an emblem or designation specified in head (2) or head (3) above, or a design reproducing or resembling the sign referred to in head (4) above[17]; and, where a person is charged with using such a design or wording for any purpose and it is proved that he used it otherwise than as, or as part of, a trade mark so registered, it is a defence for him to prove[18]:

(i) that he lawfully used that design or wording for that purpose before 31 July 1957[19]; or

(ii) in a case where he is charged with using the design or wording upon goods, that the design or wording had been applied to the goods before he acquired them by some other person who had manufactured or dealt with the goods in the course of trade and who lawfully used the design or wording upon similar goods before that date[20].

The above provisions extend to the use in or outside the United Kingdom[21] of any such emblem, designation, design, wording, sign or signal as is referred to in heads (1) to (5) above or heads (a) to (d) above on any British ship[22] or any British-controlled aircraft or hovercraft[23].

Any of the above provisions may be extended by order to the Channel Islands, the Isle of Man or any colony[24].

1 Ie the Secretary of State as successor to the Board of Trade. As to the Secretary of State see para 14 ante.

2 Geneva Conventions Act 1957 s 6(1) (amended by the Geneva Conventions (Amendment) Act 1995 ss 2(2)(a), 5(a)(i)). As to the distinctive emblems of the Red Cross see WAR AND ARMED CONFLICT vol 49(1) (2005 Reissue) para 432.

3 Geneva Conventions Act 1957 s 6(1)(a).

4 Ibid s 6(1)(b).

5 Ibid s 6(1)(c).

6 Ibid s 6(1)(d) (s 6(1)(d), (e) added by the Geneva Conventions (Amendment) Act 1995 s 2(2)(b)).

7 Ie the Protocol, additional to the Geneva Conventions of 12 August 1949, and relating to the Protection of Victims of International Armed Conflicts done on 10 June 1977 (Geneva, 12 December 1977; Cmnd 6927) (the 'Geneva Conventions 1949 Protocol I') Annex I Ch III arts 6–9. The Protocol is set out in the Geneva Conventions Act 1957 Sch 5 (added by the Geneva Conventions (Amendment) Act 1995 s 6, Schedule).

8 Geneva Conventions Act 1957 s 6(1)(e) (as added: see note 6 supra).

9 Ibid s 6(2) (amended by the Geneva Conventions (Amendment) Act 1995 s 2(3)(a)).

10 Geneva Conventions Act 1957 s 6(2)(a).

11 Ibid s 6(2)(b).

12 Ibid s 6(2)(c) (s 6(2)(c), (d) added by the Geneva Conventions (Amendment) Act 1995 s 2(3)(b)).

13 Geneva Conventions Act 1957 s 6(2)(d) (as added: see note 12 supra).

14 Ie a fine not exceeding level 5 on the standard scale: see ibid s 6(3) (amended by the Geneva Conventions (Amendment) Act 1995 s 2(4)(a)–(c); and by virtue of the Criminal Justice Act 1982 ss 37, 38, 46). As to the standard scale see para 32 note 13 ante.

15 Geneva Conventions Act 1957 s 6(3) (as amended: see note 14 supra). Proceedings under s 6 (as amended) may not be instituted in England except by or on behalf of the Director of Public Prosecutions: s 6(7) (amended by the Geneva Conventions (Amendment) Act 1995 s 2(7)). As to the Director of Public Prosecutions see CRIMINAL LAW, EVIDENCE AND PROCEDURE vol 11(3) (2006 Reissue) para 1066 et seq.

Where an offence under the Geneva Conventions Act 1957 s 6 committed by a body corporate is proved to have been committed with the consent or connivance of any director, manager, secretary or other officer of the body corporate, or any person purporting to act in any such capacity, he, as well as the body corporate, is deemed to be guilty of the offence and is liable to be proceeded against and punished accordingly; and, for these purposes, 'director', in relation to any body corporate established by or under any enactment for the purpose of carrying on under national ownership any industry or part of an industry or undertaking, being a body corporate whose affairs are managed by members thereof, means a member of that body: s 6(5). As to bodies corporate see generally COMPANIES; CORPORATIONS.

16 Ie the date of the passing of the Geneva Conventions Act 1957. In relation to head (4) in the text, this date is to be read as 19 July 1995 (i e the date of the passing of the Geneva Conventions (Amendment) Act 1995).

17 See the Geneva Conventions Act 1957 s 6(4A) (added by the Geneva Conventions (Amendment) Act 1995 s 2(5)). In relation to head (4) in the text the reference to 31 July 1957 is to be read as a reference to 19 July 1995: Geneva Conventions Act 1957 s 6(4A) (as so added). See note 16 supra.

18 Ibid s 6(4).

19 Ibid s 6(4)(a). In relation to head (4) in the text, the reference to 31 July 1957 is to be read as a reference to 19 July 1995: see note 16 supra.

20 Ibid s 6(4)(b). In relation to head (4) in the text, the reference to 31 July 1957 is to be read as a reference to 19 July 1995: see note 16 supra.

21 For the meaning of 'United Kingdom' see para 3 note 2 ante.

22 Ie within the meaning of what is now the Merchant Shipping Act 1995: see SHIPPING AND NAVIGATION vol 43(1) (Reissue) para 103.

23 Geneva Conventions Act 1957 s 6(6) (amended by the Geneva Conventions (Amendment) Act 1995 s 2(6)). As to British-controlled aircraft or hovercraft see the Civil Aviation Act 1982 s 92 (as amended), or s 92 (as amended) as applied to hovercraft by virtue of any provision made under the Hovercraft Act 1968; and AVIATION vol 2(3) (Reissue) para 1082.

24 See the Geneva Conventions Act 1957 s 8(2) (amended by the Geneva Conventions (Amendment) Act 1995 s 5(b)); and the Geneva Conventions (Amendment) Act 1995 s 7(4). As to orders extending those Acts see the Geneva Conventions Act (Colonial Territories) Order in Council 1959, SI 1959/1301; the Geneva Conventions Act (Guernsey) Order 1966, SI 1966/948; the Geneva Conventions Act (Jersey) Order 1966, SI 1966/949; the Geneva Conventions Act (Isle of Man) Order 1970, SI 1970/1677; the Geneva Conventions Act (Guernsey) Order 1999, SI 1999/1316; the Geneva Conventions Act (Jersey) Order 1999, SI 1999/1744; and the Geneva Conventions Act (Isle of Man) Order 1999, SI 1999/1743.

507. Restrictions on use of the word 'Anzac'. It is unlawful to use in connection with any trade, business, calling or profession the word 'Anzac'[1], or any word closely resembling that word, without the authority of a Secretary of State[2] given on the request of the government of Australia or New Zealand, notwithstanding that such word forms part of any trade mark, or of the name of any company or society or other body, which was registered before 15 December 1916[3].

If any person acts in contravention of the above provisions, he is guilty of an offence and liable on summary conviction to a fine[4].

1 'Anzac' is an abbreviation for 'Australian and New Zealand Army Corps'.

2 Ie one of Her Majesty's principal Secretaries of State: see para 14 note 1 ante.

3 'Anzac' (Restriction on Trade Use of Word) Act 1916 s 1(1) (amended by the Statute Law Revision Act 1927).

4 'Anzac' (Restriction on Trade Use of Word) Act 1916 s 1(2) (amended by virtue of the Criminal Justice Act 1982 ss 35, 37, 38, 46). The fine must not exceed level 3 on the standard scale: see the 'Anzac' (Restriction on Trade Use of Word) Act 1916 s 1(2) (as so amended). As to the standard scale see para 32 note 13 ante.

When a company or society is guilty of any such contravention, without prejudice to the liability of the company or society, every director, manager, secretary or other officer of the company who is knowingly a party to the contravention is guilty of an offence and liable to the like penalty: s 1(2).

(8) USE OF INDICIA OF CHARTERED ASSOCIATIONS

508. Restrictions on use of indicia of chartered associations. The Chartered Associations (Protection of Names and Uniforms) Act 1926 restricts the use of the name, designation, uniform or badge of any association incorporated by Royal Charter (not being an association representative of any profession or business) protected by an order made under the Act[1].

1 See CORPORATIONS vol 9(2) (2006 Reissue) para 1121.

(9) CONTROLS OVER BUSINESS AND COMPANY NAMES

509. Business names. Until a day to be appointed the following provisions have effect[1]. The Business Names Act 1985 imposes controls on the use of certain descriptions and terms in business names[2]. The Act prohibits the use, without the approval of the Secretary of State, of: (1) a name which would be likely to give the impression that the business is connected with Her Majesty's government, with any part of the Scottish administration or with any local authority; or (2) a name including any word or expression specified in regulations made under the Act[3]. Specified details are required to appear on business letters, orders, invoices and receipts[4]. Breach of these requirements may give other parties a defence to a claim for breach of contract in certain circumstances[5].

As from a day to be appointed[6], the Companies Act 2006 imposes controls on the use of certain descriptions and terms in business names[7]. The Act prohibits the use, without the approval of the Secretary of State, of: (a) a name which would be likely to give the impression that the business is connected with Her Majesty's government, with any part of the Scottish administration, with any local authority or with any public authority specified in regulations made under the Act[8]; (b) a name including a word or expression specified in regulations made under the Act[9]; (c) a name including a word or expression or other indication that is associated with a particular type of company or form of organisation specified in regulations made under the Act[10]; or (d) a name that gives so misleading an indication of the of the nature of the activities of the business as to be likely to cause harm to the public[11]. In the case of individuals and partnerships, specified

details are required to appear on business letters, orders, invoices, receipts and demands for payments of debts[12]. A notice must be displayed in any premises where the business is carried on and to which customers have access[13]. Failure to comply with these requirements is an offence[14]. Breach of these requirements may give other parties a defence to a claim for breach of contract in certain circumstances[15].

1 The Business Names Act 1985 is repealed, and to a large extent replaced, by the Companies Act 2006 s 1295, Sch 16, as from a day to be appointed under s 1300(2). At the date at which this volume states the law no such day had been appointed, although 20 January 2007 has been appointed for the purpose of enabling the exercise of powers to make orders or regulations by statutory instrument under the Companies Act 2006: Companies Act 2006 (Commencement No 1, Transitional Provisions and Savings) Order 2006, SI 2006/3428, art 3(3).
2 See the Business Names Act 1985; and COMPANIES vol 7(1) (2005 Reissue) para 368 et seq. The Act applies to the trading name of a partnership, individual trader, company or limited liability partnership, which does not consist of the names of all the partners, the individual concerned or the corporate name of the company or limited liability partnership: see s 1 (as amended); and COMPANIES vol 7(1) (2005 Reissue) para 368.
3 See ibid ss 1–3 (as amended); the Company and Business Names (Chamber of Commerce, etc) Act 1999; the Company and Business Names Regulations 1981, SI 1981/1685 (as amended); and COMPANIES vol 7(1) (2005 Reissue) paras 368–370.
4 See the Business Names Act 1985 s 4 (as amended); and COMPANIES vol 7(1) (2005 Reissue) para 371.
5 See ibid s 5; and COMPANIES vol 7(1) (2005 Reissue) para 372. In certain circumstances the Business Names Act 1985 may be enforced under the Enterprise Act 2002 Pt 8 Enterprise Act 2002 Pt 8 (ss 210–236) (as amended) (see TRADE, INDUSTRY AND INDUSTRIAL RELATIONS): see the Enterprise Act 2002 (Part 8 Domestic Infringements) Order 2003, SI 2003/1593; and the Enterprise Act 2002 (Part 8 Notice to OFT of Intended Prosecution Specified Enactments, Revocation and Transition Provision) Order 2003, SI 2003/1376.
6 See note 1 supra.
7 See the Companies Act 2006 ss 1192–1199.
8 See ibid s 1193. In connection with an application for the approval of the Secretary of State under ss 1193, 1194 regulations may be made under those provisions requiring an applicant to seek the view of a specified government department or other body: see s 1195. Approval given for the purposes of ss 1993, 1194 may be withdrawn: see s 1196.
9 See ibid s 1194. See note 8 supra.
10 See ibid s 1197.
11 See ibid s 1198.
12 See ibid s 1202.
13 See ibid s 1204.
14 See ibid s 1205.
15 See ibid s 1206.

510–600. Controls over company names. Until a day to be appointed[1], there are restrictions on the names by which companies may be registered under the Companies Act 1985[2] and on the names used by overseas companies for business purposes in the United Kingdom[3].

As from a day to be appointed[4], such restrictions are governed by the Companies Act 2006[5].

1 The relevant provisions of the Companies Act 1985 are repealed and to a large extent replaced by the Companies Act 2006 s 1295, Sch 16, as from a day to be appointed under s 1300(2). At the date at which this volume states the law no such day had been appointed, although 20 January 2007 has been appointed for the purpose of enabling the exercise of powers to make orders or regulations by statutory instrument under the Companies Act 2006: Companies Act 2006 (Commencement No 1, Transitional Provisions and Savings) Order 2006, SI 2006/3428, art 3(3).
2 See the Companies Act 1985 s 26 (as amended) (prohibition on registration of certain names: see COMPANIES vol 7(1) (2005 Reissue) para 355), s 27 (as amended) (alternatives of statutory designations: see COMPANIES vol 7(1) (2005 Reissue) para 354), s 28 (deceptive names and change of name: see COMPANIES vol 7(1) (2005 Reissue) paras 358–359), s 29 (as amended) (regulations about names: see COMPANIES vol 7(1) (2006 Reissue) para 356), s 30 (as amended) and s 31 (exemption from requirement of 'limited' as part of name: see COMPANIES vol 7(1) (2006 Reissue) paras 365, 367), s 32 (power to require company to abandon misleading name: see COMPANIES vol 7(1) (2006 Reissue) para 360), s 33

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3 See the Companies Act 1985 s 694 (as amended); and COMPANIES vol 7(2) (2006 Reissue) para 1824.

4 See note 1 supra.

5 See the Companies Act 2006 Pt 5 (ss 53–85).

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1. NATURE AND CREATION OF TRUSTS

(1) INTRODUCTION

(i) Nature of Trusts and of the Trust Relationship

A. IN GENERAL

601. Meaning of 'trust'. Where a person has property or rights which he holds or is bound to exercise for or on behalf of another or others[1], or for the accomplishment of some particular purpose or particular purposes[2], he is said to hold the property or rights in trust for that other or those others, or for that purpose or those purposes, and he is called a trustee[3]. A trust is a purely equitable obligation and is enforceable only in a court in which equity is administered[4].

The trustee holds the property or must exercise his rights of property in a fiduciary capacity, and stands in a fiduciary relationship to the beneficiary[5].

The property affected by a trust (the 'trust property' or 'trust estate') must be vested in the trustee[6], whether the property is a legal estate, a legal right or an equitable interest where the legal title is vested in some other person[7].

Different views have been expressed as to whether the right of a beneficiary is a right in rem or a right in personam[8]. It has been said in terms that the owner of an equitable estate has a right in rem and not merely a right in personam[9]. It has, however, been held that a claim for a declaration that a person holds immovable property as trustee and for an order requiring that person to execute such documents as may be necessary to vest the legal ownership in the claimant does not constitute a claim in rem but a claim in personam[10].

1 The persons on whose behalf the rights are to be exercised are called the cestuis que trust (*Beckford v Wade* (1805) 17 Ves 87 at 95, PC) or, more usually, the beneficiaries (see e g the Trustee Act 1925 ss 13(1), 62(1) (as amended); and paras 1044, 1131 post). A person may at the same time be a trustee and one of the beneficiaries: c f s 68(1) para (17); and note 3 infra. See also paras 754, 861 post. Exceptionally, in the case of a half secret trust (see para 677 post), the person taking as trustee on the face of a will cannot produce evidence allowing himself to take as beneficiary (i e evidence which contradicts the will and fails to comply with the terms of the Wills Act 1837 s 9 (as substituted) (see WILLS vol 50 (2005 Reissue) para 351 et seq)): *Re Rees, Williams v Hopkins* [1950] Ch 204, [1949] 2 All ER 1003, CA. It would be wrong, however, to say that if the legal estate is in A but the equitable interest in B, then A necessarily holds as trustee for B: there are many cases where B enjoys rights which, in equity, are enforceable against the legal owner, A, without A being a trustee: see *Westdeutsche Landesbank Girozentrale v Islington London Borough Council* [1996] AC 669 at 706–707, [1996] 2 All ER 961 at 989, HL, per Lord Browne-Wilkinson; *Don King Productions Inc v Warren* [1998] 2 All ER 608 at 630, [1998] 2 Lloyd's Rep 176 at 192 per Lightman J (affd [2000] Ch 291, [1999] 2 All ER 218, CA). See also *R v Chester and North Wales Legal Aid Area Office (No 12), ex p Floods of Queensferry Ltd* [1998] 1 WLR 1496, [1998] BCC 685, CA.

2 Within the category of purpose trusts come trusts for charitable purposes: see CHARITIES vol 5(2) (2001 Reissue) para 61 et seq. This category also includes trusts for such purposes as the maintenance of tombs and monuments or trusts relating to animals, so far as they are valid. As to such trusts see para 607 post.

3 This is an expansion of the definition of 'trust' given in Maitland's *Equity* p 44. A trust has also been defined as 'an equitable obligation, binding a person (called 'a trustee') to deal with property (called trust property) owned by him as a separate fund, distinct from his own private property, for the benefit of persons (called beneficiaries or in old cases cestuis que trust), of whom he may himself be one, and any one of whom may enforce the obligation': Underhill and Hayton *Law relating to Trusts and Trustees* (17th Edn, 2007) p 2. The definition given in Underhill and Hayton *Law relating to Trusts and Trustees* (15th Edn, 1995) p 1 was approved in *Re Marshall's Will Trusts* [1945] Ch 217 at 219, [1945] 1 All ER 550 at 551 per Cohen J, and in *Green v Russell* [1959] 2 QB 226 at 241, [1959] 2 All ER 525 at 531, CA, per Romer LJ. Although this definition may be said to have been adequate for the purposes of those cases, it can be criticised as taking no account of purpose trusts: c f note 2 supra. As to the meaning of the trust relationship see further Co Litt 272b; 2 Bl Com (14th Edn) 337; *Burgess v Wheate, A-G v Wheate* (1759)

1 Eden 177 at 240 per Henley, Lord Keeper; *Dooby v Watson* (1888) 39 ChD 178 at 181–182 per Kekewich J; *Re Barney, Barney v Barney* [1892] 2 Ch 265 at 272 per Kekewich J; *Re Williams, Williams v Williams* [1897] 2 Ch 12 at 18–19, CA, per Lindley LJ.

In the Trustee Act 1925 and in the Trustee Investments Act 1961, 'trust' does not include the duties incident to an estate conveyed by way of mortgage, but with this exception the expressions 'trust' and 'trustee' extend to implied and constructive trusts, and to cases where the trustee has a beneficial interest in the trust property, and to the duties incident to the office of a personal representative; and 'trustee', where the context admits, includes a personal representative: Trustee Act 1925 s 68(1) para (17); Trustee Investments Act 1961 s 17(4). The Trustee Act 2000 applies in relation to a personal representative administering an estate as it applies to a trustee carrying out a trust for beneficiaries: see s 35(1), (2).

4 Co Litt 272b; Bacon's *Reading upon the Statute of Uses* 9; 3 Bl Com (14th Edn) 431–432; *Sturt v Mellish* (1743) 2 Atk 610 at 612 per Lord Hardwicke LC; *Burgess v Wheate, A-G v Wheate* (1759) 1 Eden 177 at 223 per Lord Mansfield CJ; *Re Williams, Williams v Williams* [1897] 2 Ch 12 at 19, CA, per Lindley LJ. See also EQUITY vol 16(2) (Reissue) paras 401 et seq, 496 et seq.

Conversely, in relation to conversion, the common law does not recognise the equitable title of the beneficiary under a trust but only recognises the title of the trustee, as the person normally entitled to immediate possession of the trust property; an equitable owner has no title at common law to sue in conversion, unless he can also show that he has actual possession or an immediate right to possession of the goods claimed: *MCC Proceeds Inc v Lehman Bros International (Europe)* [1998] 4 All ER 675, [1998] 2 BCLC 659, CA. The House of Lords has rejected as insupportable the proposition that 'a person who has the equitable ownership of goods is entitled to sue in tort for negligence anyone who for want of care causes them to be lost or damaged without joining the legal owner as a party to the action': *Leigh and Sillavan Ltd v Aliakmon Shipping Co Ltd* [1986] AC 785 at 812, [1996] 2 All ER 145 at 151, HL, per Lord Brandon of Oakwood.

5 *Plowright v Lambert* (1885) 52 LT 646 at 652 per Field J. See also *Barnes v Addy* (1874) 9 Ch App 244 at 251 per Lord Selborne LC; *Re Barney, Barney v Barney* [1892] 2 Ch 265; *Mara v Browne* [1896] 1 Ch 199 at 209, CA, per AL Smith LJ; *Tito v Waddell (No 2)* [1977] Ch 106 at 238–243, [1977] 3 All ER 129 at 238–243 per Megarry V-C; and para 954 et seq post.

6 Exceptionally, settled land under the Settled Land Act 1925 is vested in the tenant for life and not the trustees of the settlement. The tenant for life is treated as a trustee to a limited extent: see the Settled Land Act 1925 s 107 (as amended); and SETTLEMENTS vol 42 (Reissue) para 775. Note that, with very limited exceptions, it has not been possible to create a new settlement under the Settled Land Act 1925 since the coming into force of the Trusts of Land and Appointment of Trustees Act 1996 on 1 January 1997: see s 2; and REAL PROPERTY vol 39(2) (Reissue) para 65; SETTLEMENTS vol 42 (Reissue) paras 606, 675 et seq.

The Trustee Act 2000 s 16 authorises trustees to appoint persons to act as their nominees and as custodians: see ss 16–26; and para 991 post. Trustees also have power to delegate and appoint agents: see para 988 et seq post.

7 *Head v Lord Teynham* (1783) 1 Cox Eq Cas 57; *Poole v Pass* (1839) 1 Beav 600; *Knight v Bowyer* (1857) 23 Beav 609 at 635 per Romilly MR.

8 See *Baker v Archer-Shee* [1927] AC 844, HL; *IRC v Berrill* [1982] 1 All ER 867, [1981] 1 WLR 1449. See also *Pritchard (Inspector of Taxes) v MH Builders (Wilmslow) Ltd* [1969] 2 All ER 670, [1969] 1 WLR 409; *Re Cuff Knox, Barclays Bank Executor and Trustee Co (Channel Islands) Ltd v IRC* [1963] IR 263. Cf *Schalit v Joseph Nadler Ltd* [1933] 2 KB 79, DC. See also Maitland's *Equity* (2nd (Brunyate) Edn) p 106 et seq; (1917) 17 Col LR 269; Pettit *Equity and the Law of Trusts* (10th Edn, 2005) pp 81–83.

9 *Tinsley v Milligan* [1994] 1 AC 340 at 371, [1993] 3 All ER 65 at 86, HL, per Lord Browne-Wilkinson.

10 Case C-294/92 *Webb v Webb* [1994] QB 696, [1994] 3 All ER 911, ECJ; *Ashurst v Pollard* [2000] 2 All ER 772 (affd [2001] Ch 595, [2001] 2 All ER 75, CA).

602. Personal representatives as trustees. In a loose sense a legal personal representative, while acting as such[1], is a trustee for the creditors and beneficiaries claiming under the deceased, as he holds the real and personal estate of the deceased for their benefit and not for his own[2]. Moreover, in the Trustee Act 1925 'trustee', where the context so admits, includes a personal representative[3]; and on the death of a person intestate as to any real or personal estate that estate is held in trust by his personal representatives with the power to sell it[4].

However, during the administration of the estate of the deceased, whether a testator[5] or an intestate[6], no legatee, devisee or next of kin has any beneficial interest in the assets being administered; he has merely an equitable right to have the estate administered properly[7]. This right is enforced by means of devastavit proceedings[8].

When the personal representatives realise that specific property left on trusts is not going to be resorted to in order to enable debts, expenses and liabilities to be satisfied, they may assent to that property being held on trust in the strict sense[9]. It is often important to determine when a personal representative has completed his functions as such in relation to any property and holds the property solely as a trustee in the strict sense[10], as there are differences in the powers of personal representatives as such and trustees[11], and the period of limitation applicable to a claim may depend in certain cases upon whether the defendant holds the property which is the subject of the claim as personal representative or as trustee[12]. Moreover, as the duty of personal representatives is owed to the estate as a whole, they, unlike trustees, do not have to hold the balance evenly between those interested in income and those interested in capital[13].

1 In the Trustee Act 1925, 'personal representative' means the executor, original or by representation, or administrator for the time being of a deceased person (s 68(1) para (9)); but in s 18 (devolution of powers and trusts: see para 817 post) 'personal representative' does not include an executor who has renounced or has not proved (s 18(4)).

2 *Re Hyatt, Bowles v Hyatt* (1888) 38 ChD 609 at 617; *Re Davis, Evans v Moore* [1891] 3 Ch 119 at 124, CA, per Lindley LJ; *Stamp Duties Comr (Queensland) v Livingston* [1965] AC 694 at 707, [1964] 3 All ER 692 at 696, PC. See also *Fordham v Wallis* (1853) 10 Hare 217 at 226; *Re Marsden, Bowden v Layland, Gibbs v Layland* (1884) 26 ChD 783 at 789–790; and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 792. The special provisions relating to the limitation of actions in respect of trust property are, it seems, inapplicable to proceedings by a creditor: see LIMITATION OF ACTIONS vol 28 (Reissue) para 1064.

3 See para 601 note 3 ante. See also EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 5. As to the application of the Trustee Act 2000 to personal representatives see s 35; and para 601 note 3 ante.

4 See the Administration of Estates Act 1925 s 33 (as amended); and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 555. Where a testator fails to dispose effectively of some interest in property, the personal representative normally holds it, subject to his rights and powers for purposes of administration, in trust for the persons entitled on an intestacy: see s 49(1)(b) (renumbered by the Intestates' Estates Act 1952 ss 3, 4; and set out in amended form in Sch 1); and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) paras 586, 615.

5 *Stamp Duties Comr (Queensland) v Livingston* [1965] AC 694, [1964] 3 All ER 692, PC.

6 *Eastbourne Mutual Building Society v Hastings Corpn* [1965] 1 All ER 779, [1965] 1 WLR 861.

7 *Re Hayes's Will Trusts, Pattinson v Hayes* [1971] 2 All ER 341 at 347, [1971] 1 WLR 758 at 764; and see *Stamp Duties Comr (Queensland) v Livingston* [1965] AC 694, [1964] 3 All ER 692, PC; *Lall v Lall* [1965] 3 All ER 330, [1965] 1 WLR 1249; *Re Leigh's Will Trusts, Handyside v Durbridge* [1970] Ch 277, [1969] 3 All ER 432; *Kavanagh v Best* [1971] NI 89 at 93–94; *Crowden v Aldridge* [1993] 3 All ER 603, [1993] 1 WLR 433; *Marshall (Inspector of Taxes) v Kerr* [1995] 1 AC 148, [1994] 3 All ER 106, HL. See also *Re K* [1986] Ch 180, [1985] 2 All ER 833, CA.

8 See EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 792 et seq.

9 *Re Cockburn's Will Trusts, Cockburn v Lewis* [1957] Ch 438, [1957] 2 All ER 522; *Re Edwards' Will Trusts, Edwards v Edwards* [1982] Ch 30 at 40, [1981] 2 All ER 941 at 949, CA, per Buckley LJ. See EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 559 et seq. To ensure proper devolution of the legal title to land, personal representatives, on becoming trustees of the land, should execute a written assent in their own favour: *Re King's Will Trusts, Assheton v Boyne* [1964] Ch 542, [1964] 1 All ER 833; not followed in *Mohan v Roche* [1991] 1 IR 560 (Irish case).

10 As to the time of the transition from personal representative to trustee see EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) paras 569–570.

11 Eg one of several personal representatives, but not one of several trustees, has power to pledge property forming part of a deceased person's estate (*George Attenborough & Son v Solomon* [1913] AC 76, HL); and a personal representative, but not a trustee, has the power of appropriation under the Administration of Estates Act 1925 s 41 (as amended) (see EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 573 et seq). In the case of a policy taken out under Married Women's Property Act 1882 s 11, the personal representatives of the deceased hold the policy as trustees and not as personal representatives: see s 11; and MATRIMONIAL LAW vol 29(2) (Reissue) para 193. A person named as executor will, therefore, hold as trustee unless and until he has renounced the executorship and disclaimed the trusteeship: see *Rooney v Cardona* [1999] 1 WLR 1388, [1999] 2 FLR 1148, CA. As to the effect of the personal representative becoming a trustee generally see EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 570. A personal representative who has fully administered the estate and holds the residue as trustee

is not thereby necessarily discharged from his obligations as personal representative: see *Harvell v Foster* [1954] 2 QB 367, [1954] 2 All ER 736, CA; and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 568.

12 See the Limitation Act 1980 ss 21(3), 22; and LIMITATION OF ACTIONS vol 28 (Reissue) para 1043. Since the coming into operation of the Limitation Act 1939 it no longer makes any difference for the purposes of the limitation of actions whether a trust is an express trust or not: see LIMITATION OF ACTIONS vol 28 (Reissue) para 1037. See also *Cattley v Pollard* [2006] EWHC 3130 (Ch), [2007] WTLR 245, [2006] All ER (D) 106 (Dec).

13 *Re Hayes's Will Trusts, Pattinson v Hayes* [1971] 2 All ER 341, [1971] 1 WLR 758. See also *Re Charteris, Charteris v Biddulph* [1917] 2 Ch 379, CA.

603. Legislation relating to trusts. The principal statute relating to trusts is the Trustee Act 1925[1]. The powers conferred by that Act on trustees[2] are in addition to the powers conferred by the instrument, if any, creating the trust[3], but, unless otherwise stated, those powers apply if and so far only as a contrary intention is not expressed in the instrument, if any, creating the trust[4], and have effect subject to the terms of that instrument[5].

Other statutes of great importance relating to trusts are the Variation of Trusts Act 1958[6], the Trustee Investments Act 1961[7], the Trusts of Land and Appointment of Trustees Act 1996[8] and the Trustee Act 2000[9]. The Law of Property Act 1925[10], the Administration of Estates Act 1925[11], the Settled Land Act 1925[12] and the Trustee Delegation Act 1999[13] also to a greater or lesser extent affect the law relating to trusts.

Certain trusts contained in instruments taking effect before 16 December 1952 which would otherwise have failed because the trust property was not exclusively applicable to charitable purposes have been validated by statute[14]. Certain occupational pension schemes are exempted by statute from the application of the rule against perpetuities[15]; and certain accumulations for the reduction of the National Debt have been validated by statute[16].

The office of Public Trustee has been established, and his powers and duties regulated, by statute[17]; and the court has been empowered by statute to appoint judicial trustees in certain cases[18].

Transactions at an undervalue and transactions defrauding creditors are governed by the Insolvency Act 1986[19].

1 The Trustee Act 1925 came into force on 1 January 1926 (see s 71(1), (2) (s 71(2) repealed)) and did not affect the legality or validity of anything previously done, except so far as the Act expressly provided and except that certain retrospective amendments were made to earlier Acts (see s 69(3), Sch 1 (repealed)). The Trustee Act 1925 applies, except where otherwise expressly provided, to trusts including, so far as that Act applies to them, executorships and administratorships constituted or created either before or after the commencement of that Act: s 69(1). Except where otherwise expressly provided, the Trustee Act 1925 extends to England and Wales only: s 71(3). The provisions of the Trustee Act 1925 bind the Crown: s 71(4).

2 For the meaning of 'trustee' see para 601 ante.

3 For the meaning of 'trust' see para 601 ante.

4 For cases where a contrary intention was shown see *Re Turner's Will Trusts, District Bank Ltd v Turner* [1937] Ch 15, [1936] 2 All ER 1435, CA; *Re Rider's Will Trusts, Nelson v Rider* [1958] 3 All ER 135, [1958] 1 WLR 974; *IRC v Bernstein* [1961] Ch 399, [1961] 1 All ER 320, CA; *Re Evans' Settlement, Watkins v Whitworth-Jones* [1967] 3 All ER 343, [1967] 1 WLR 1294; *Re Erskine's Settlement Trusts, Hollis v Pigott* [1971] 1 All ER 572, [1971] 1 WLR 162. For cases where no contrary intention was held to have been shown see *Re Warren, Public Trustee v Fletcher* [1939] Ch 684, [1939] 2 All ER 599; *Re Rees, Lloyds Bank Ltd v Rees* [1954] Ch 202, sub nom *Re Rees' Will Trusts, Lloyds Bank Ltd v Rees* [1954] 1 All ER 7.

5 Trustee Act 1925 s 69(2). 'Trust instrument' means the instrument whereby the trusts of the settled land are declared, and includes any two or more such instruments and a settlement or instrument which is deemed to be a trust instrument: Settled Land Act 1925 s 117(1)(xxxi) (definition applied by virtue of the Trustee Act 1925 s 68(1) para (15)). See SETTLEMENTS vol 42 (Reissue) para 688 et seq.

6 See para 1062 et seq post.

7 Except in so far as they are applied by or under any other enactment, the provisions of the Trustee Investments Act 1961 are largely repealed by the Trustee Act 2000 s 40(1), (3), Sch 2 para 1, Sch 4 Pt I.

As to the Trustee Act 2000 see note 9 infra. As to the Trustee Investments Act 1961 see para 1017 et seq post; and as to the investment provisions of the Trustee Act 2000 see further para 1012 et seq post.

8 See eg paras 845 et seq, 1035 et seq post. See also REAL PROPERTY; SETTLEMENTS.

9 The Trustee Act 2000 ss 41–43 (power to amend other Acts, commencement, extent and short title) came into force upon Royal Assent on 23 November 2000. The remaining provisions came into force on 1 February 2001: see the Trustee Act 2000 (Commencement) Order 2001, SI 2001/49.

The Trustee Act 2000 extends to England and Wales only (s 42(4)), although an amendment or repeal in Sch 2 paras 3–57 (as amended; prospectively amended) or Sch 4 Pt II has the same extent as the provision amended or repealed (s 42(5)).

A Minister of the Crown may by order make such amendments of any Act, including an Act extending to places outside England and Wales, as appear to him appropriate in consequence of or in connection with Pt II (ss 3–7) (investment: see para 1012 et seq post) or Pt III (ss 8–10) (acquisition of land: see para 1034 post): s 41(1). Before exercising this power in relation to a local, personal or private Act, the minister must consult any person who appears to him to be affected by any proposed amendment: s 41(2). Such an order may contain such transitional provisions as the minister thinks fit, and may make different provision for different purposes: s 41(3). The power to make an order under s 41 is exercisable by statutory instrument subject to annulment in pursuance of a resolution of either House of Parliament: s 41(4). 'Minister of the Crown' has the same meaning as in the Ministers of the Crown Act 1975 (see CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) para 363): Trustee Act 2000 s 41(5). At the date at which this volume states the law no such order had been made.

10 See the Law of Property Act 1925 s 27 (as amended); and SETTLEMENTS vol 42 (Reissue) para 906. See also s 175; and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 502.

11 See EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) paras 335, 604.

12 See SETTLEMENTS vol 42 (Reissue) para 675 et seq.

13 See paras 848, 985 post.

14 See the Charitable Trusts (Validation) Act 1954; and CHARITIES vol 5(2) (2001 Reissue) paras 90–95.

15 See PERPETUITIES AND ACCUMULATIONS vol 35 (Reissue) para 1044.

16 See para 686 post; and PERPETUITIES AND ACCUMULATIONS vol 35 (Reissue) para 1139.

17 See the Public Trustee Act 1906; the Public Trustee (General Deposit Fund) Act 1939; the Public Trustee (Fees) Act 1957; the Public Trustee and Administration of Funds Act 1986; and para 766 et seq post. See also the Administration of Estates Act 1925 s 9 (as substituted); para 767 note 4; and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 34.

18 See the Judicial Trustees Act 1896; and para 757 et seq post.

19 See para 680 post. As to transactions at an undervalue see further BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 653 et seq; and as to transactions defrauding creditors see further BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 663 et seq.

B. ESSENTIALS OF A VALID TRUST

604. Trust intentionally created. A trust may be created intentionally[1] inter vivos or by will. Essentials of such creation are:

(1) property or rights capable of being subjected to the trust[2];

(2) a declaration of, or disposition on, trust by a person competent to create a trust[3], or an obligation for valuable consideration to create a trust[4];

(3) certainty of property and objects so that the trust is administratively workable[5]; and

(4) compliance with the statutory requirements regarding evidence[6] and the rule against remoteness preventing interests vesting outside the perpetuity period and the rule against perpetual trusts preventing income from being inalienable for longer than the perpetuity period[7].

A trust is void if it is created for an illegal purpose or is otherwise contrary to public policy[8]. Once everything necessary to create a trust has been done, equity will not allow a trust to fail for want of a trustee[9].

1 Such trusts are express trusts, although express trusts may also be created by statute: see para 624 post. Constructive trusts may arise without being intentionally created: see para 625 post.

2 See para 605 post.

3 As to the persons capable of creating a trust see para 606 post.

4 As to the position where there is a voluntary covenant to create a trust see the Contracts (Rights of Third Parties) Act 1999; and paras 623, 661–662 post.

5 Except for a limited anomalous class of trusts such as those for animals and monuments (see para 607 post), this means that a trust must be directly or indirectly for the benefit of persons (individual or corporate) so that some person has locus standi to enforce the trust, unless the trust is for charitable purposes in which case the Attorney General has locus standi to enforce the purposes: see *Re Denley's Trust Deed, Holman v HH Martyn & Co Ltd* [1969] 1 Ch 373, [1968] 3 All ER 65; and para 631 post.

As to the constitution of an express trust see further paras 649 et seq post (certainty of intention), 653–654 post (certainty of subject matter), 655 et seq post (certainty of objects), 659 et seq post (need for complete disposition or contract for valuable consideration).

6 As to the requirement of writing see para 644 post.

7 See para 684 post. Exceptionally, charities are not subject to the rule against perpetual trusts, and property may pass from one charity to another outside the perpetuity period: see CHARITIES vol 5(2) (2001 Reissue) para 133.

8 See para 678 post.

9 *Sonley v Clock-makers' Co* (1780) 1 Bro CC 81. See also *A-G v Lady Downing* (1767) Wilm 1; *Ellison v Ellison* (1802) 6 Ves 656; *Mallott v Wilson* [1903] 2 Ch 494; *Re Armitage, Ellam v Norwich Corpn* [1972] Ch 438, [1972] 1 All ER 708. See also paras 659, 662 post. As to the constitution of disclaimed trusts inter vivos see Matthews 'The constitution of disclaimed trusts inter vivos' [1981] Conv 141.

605. Property affected. Any property or interest in property which a person can, at law or in equity, transfer or assign, or dispose of inter vivos or by a testamentary instrument, can be affected by him with a trust by an instrument inter vivos or by a testamentary instrument[1]. The scope of trusts recognised in equity is virtually unlimited. There can be a trust of a chattel or of a thing in action or of a right or obligation under an ordinary legal contract, just as much as a trust of land or money[2]. It even seems that a party to a contract involving skill and confidence or containing non-assignment provisions may become trustee of the benefit of being a contracting party as well as of the benefit of the rights conferred[3].

As the only legal estates which can now subsist in land are an estate in fee simple in possession and a term of years absolute[4], successive interests in land, other than by way of leases, can only take effect by means of a trust of land[5]. A trust is the usual method of creating successive interests in personal property[6], and is essential for the creation of successive interests in personal property inter vivos[7].

1 As to the inalienability of real property granted by the Crown or Parliament as a reward for distinguished public services see GIFTS vol 20(1) (Reissue) para 23. Chattels, or an interest in chattels, may in some cases be disposed of in equity when not assignable at law: *Joseph v Lyons* (1884) 15 QBD 280 at 284, CA, per Brett MR; *Hallas v Robinson* (1885) 15 QBD 288 at 292, CA, per Baggallay LJ (assignments of chattels to be acquired in future conferred only equitable interests upon grantees; interests of grantees postponed to legal rights in chattels conferred for value and without notice after acquisition of chattels by assignor). See also PERSONAL PROPERTY vol 35 (Reissue) paras 1265–1266. As to trusts of policies effected under the Married Women's Property Act 1882 s 11 (as amended) see MATRIMONIAL LAW vol 29(3) (Reissue) para 190 et seq; as to trusts of heirlooms and other chattels settled with realty see SETTLEMENTS vol 42 (Reissue) para 937 et seq; and as to trusts relating to foreign immovables see CONFLICT OF LAWS vol 8(3) (Reissue) para 396.

For the purposes of the Trustee Act 1925, 'property' includes real and personal property, and any estate share and interest in any property, real or personal, and any debt and any thing in action, and any other right or interest whether in possession or not: s 68(1) para (11). 'Rights' includes estates and interest: s 68(1) para (12). As to things in action see CHOSES IN ACTION.

2 See *Lord Strathcona Steamship Co Ltd v Dominion Coal Co Ltd* [1926] AC 108 at 124 per Lord Shaw, cited in *Don King Productions Inc v Warren* [1998] 2 All ER 608, [1998] 2 Lloyd's Rep 176 (affd [2000] Ch 291, [1999] 2 All ER 218, CA). In *Abrahams v Trustee in Bankruptcy of Abrahams* [2000] WTLR 593, (1999) Times, 26 July, it was held that where a person paid money to a lottery syndicate she gained the right to have any winnings received duly administered in accordance with whatever rules of the syndicate then applied; and that right was property which was capable of being held on a resulting trust. In *Swift v Dairywise Farms Ltd* [2000] 1 All ER 320, [2000] 1 WLR 1177 (affd on other grounds [2001] EWCA Civ 145, [2003] 2 All ER 304n) it was held that a milk quota, which must be attached to a holding of appropriate land (a 'euroholding'), could be the subject of a trust; if T held a quota on trust for B, then,

where B had no euroholding, he could not require T to transfer the quota to him, but he could require T to realise the quota and transfer the proceeds to him.

3 *Don King Productions Inc v Warren* [1998] 2 All ER 608 at 634, [1998] 2 Lloyd's Rep 176 at 195 per Lightman J; affd [2000] Ch 291, [1999] 2 All ER 218, CA. However, a provision in the contract prohibiting a party from declaring himself a trustee would be effective.

4 See REAL PROPERTY vol 39(2) (Reissue) para 45.

5 See REAL PROPERTY vol 39(2) (Reissue) para 66 et seq. Before the Trusts of Land and Appointment of Trustees Act 1996 came into force on 1 January 1997, such a disposition took effect either as a settlement under the Settled Land Act 1925 or a settlement on trust for sale under the Law of Property Act 1925. With limited exceptions, it is no longer possible to create new settlements under the Settled Land Act 1925 (see the Trusts of Land and Appointment of Trustees Act 1996 s 2; and para 601 note 6 ante); and a trust for sale of land is now subsumed under a trust of land (see ss 1, 4, 5; and REAL PROPERTY vol 39(2) (Reissue) para 66). See also para 724 post. See further SETTLEMENTS vol 42 (Reissue) paras 609, 675, 897. 'Trust of land' means any trust of property which consists of or includes land (s 1(1)(a)); and the reference to a trust is to any description of trust (whether express, implied, resulting or constructive), including a trust for sale and a bare trust, and includes a trust created or arising before the commencement of the Trusts of Land and Appointment of Trustees Act 1996 (s 1(2)). The reference to land in s 1(1)(a) does not include land which (despite s 1(2)) is settled land or which is land to which the Universities and College Estates Act 1925 (see EDUCATION vol 15(2) (2006 Reissue) para 1379) applies: Trusts of Land and Appointment of Trustees Act 1996 s 1(3). For the purposes of the Trustee Act 1925, 'land' includes land of any tenure, and mines and minerals, whether or not severed from the surface, buildings or parts of buildings, whether the division is horizontal, vertical or made in any other way, and other corporeal hereditaments; also a manor, an advowson, and a rent and other incorporeal hereditaments, and an easement, right, privilege or benefit in, over or derived from land: s 68(1) para (6) (amended by the Trusts of Land and Appointment of Trustees Act 1996 s 25(2), Sch 4). For these purposes, 'mines and minerals' includes any strata or seam of minerals or substances in or under any land, and powers of working and getting the same; and 'hereditaments' means real property which under an intestacy occurring before 1 January 1926 might have devolved on an heir: Trustee Act 1925 s 68(1) para (6) (as so amended).

6 As to settlements of personalty generally see SETTLEMENTS vol 42 (Reissue) para 907 et seq.

7 See EQUITY vol 16(2) (Reissue) para 608; GIFTS vol 20(1) (Reissue) para 25; SETTLEMENTS vol 42 (Reissue) para 611. As to the creation of successive interests in personal property by will see PERSONAL PROPERTY vol 35 (Reissue) para 1230; WILLS vol 50 (2005 Reissue) para 412. It is no longer possible to create an entailed interest in either real or personal property: see the Trusts of Land and Appointment of Trustees Act 1996 s 2, Sch 1 para 5; and REAL PROPERTY vol 39(2) (Reissue) para 105; SETTLEMENTS vol 42 (Reissue) para 677.

606. Creator of trust. Any person or corporation[1] capable at law or in equity of alienating to any extent property or an interest in property, either inter vivos or, in the case of an individual, by a testamentary instrument, is to the same extent capable of creating a trust in that property or interest, or of disposing of it in trust, either inter vivos or, in the case of an individual, by a testamentary instrument[2].

1 A distinction exists between non-statutory corporations which in general can do everything that an ordinary individual can do, unless restricted directly or indirectly by statute, and statutory corporations which can do only such acts as are authorised directly or indirectly by the statutes creating them: see CORPORATIONS vol 9(2) (2006 Reissue) paras 1223, 1230–1231. As to the power of alienation of corporations generally see CORPORATIONS vol 9(2) (2006 Reissue) para 1255 et seq.

2 *Rycroft v Christy* (1840) 3 Beav 238; *Knight v Bowyer* (1857) 23 Beav 609 at 635 per Romilly MR; *Gilbert v Overton* (1864) 2 Hem & M 110. The person enabled by law to declare a trust of property is the beneficial owner of it: *Tierney v Wood* (1854) 19 Beav 330 at 335–336 per Romilly MR.

607. Persons and objects in whose favour trusts may be created. A trust may be created in favour of any person to whom a gift can legally be made[1]. A trust may also be created for charitable purposes[2] but not in general for a non-charitable purpose or object or a non-human beneficiary such as a dog[3]. Exceptionally, however, certain trusts have been held valid, even though they were not charitable and there was no person who directly benefited from their performance[4]. Thus trusts for the building or maintenance of monuments or tombs not forming part[5] of a church have been held valid[6], as have trusts for the maintenance of particular animals[7]. It seems, however, that

in general equity will refuse to recognise a trust, other than a charitable trust, unless it is for the benefit of ascertained or ascertainable beneficiaries, and can be enforced by the court, and that the decisions by which trusts for the building or maintenance of tombs or trusts relating to animals have been held valid are to be regarded as anomalous and exceptional and their scope is not to be extended[8]. These anomalous trusts, which are known as 'unenforceable trusts' or 'trusts of imperfect obligation', seem to be restricted to trusts arising under wills where the legacy will fall into a residuary gift if the unenforceable trust is not carried out[9]. Such a trust, though valid, is unenforceable in that no one can compel the trustee to carry it out. If, however, he wishes to perform it, no one can prevent him from doing so and only if and so far as he chooses not to do so will there be a trust for the residuary legatees. Further, in order to be valid a non-charitable purpose trust must satisfy the rule against perpetual trusts[10] which requires that such a trust must not last beyond the perpetuity period[11].

Where a trust, though expressed as a purpose, is directly or indirectly for the benefit of an individual or individuals, the trust can be valid provided those individuals are ascertainable at any one time and the trust is not otherwise void for uncertainty[12].

Unincorporated associations, such as most clubs and societies, are not legal persons capable of having interests in property, and therefore there cannot be a trust for an unincorporated association as such[13]. It may, however, be possible to construe a gift to an unincorporated association as one to the members of the association in such a way that the gift is valid. The possible constructions and their effect are discussed elsewhere in this work[14]. If the trust is expressed to be for the purposes of a particular unincorporated association, then, so long as such purposes are not abstract or impersonal[15] (for example, the abolition of vivisection[16] or the furtherance of the views of a political party[17]) but are directly or indirectly for the benefit of persons intended to have locus standi to enforce the trust[18], the trust may be valid if complying with the rule against remoteness and the rule against perpetual trusts.

The court may declare a trust void on the ground that its purposes are useless[19].

1 See 8 Bac Abr 251, Uses and Trusts, Trusts (A); *Burgess v Wheate, A-G v Wheate* (1759) 1 Eden 177 at 195. See further GIFTS.

2 As to the meaning of 'charitable purposes' see CHARITIES vol 5(2) (2001 Reissue) para 2; and as to the creation of charitable trusts see CHARITIES vol 5(2) (2001 Reissue) para 61 et seq. As to the exemption of charitable trusts from the necessity for precision in the declaration of objects see para 608 post; and CHARITIES vol 5(2) (2001 Reissue) 97 et seq. As to the application to charitable trusts of the law which restricts the creation of perpetuities see para 684 post; and CHARITIES vol 5(2) (Reissue) para 133 et seq; PERPETUITIES AND ACCUMULATIONS vol 35 (Reissue) para 1055. As to the enforcement of charitable trusts see para 631 post; and CHARITIES vol 5(2) (2001 Reissue) para 456. As to the validation of certain instruments providing for property to be held for objects partly but not exclusively charitable see CHARITIES vol 5(2) (2001 Reissue) para 90 et seq.

3 *Morice v Bishop of Durham* (1804) 9 Ves 399 (affd (1805) 10 Ves 522); *Bowman v Secular Society Ltd* [1917] AC 406, HL; *Re Wood, Barton v Chilcott* [1949] Ch 498, [1949] 1 All ER 1100; *Re Astor's Settlement Trusts, Astor v Scholfield* [1952] Ch 534, [1952] 1 All ER 1067; *Leahy v A-G for New South Wales* [1959] AC 457, [1959] 2 All ER 300, PC; *Re Endacott, Corpe v Endacott* [1960] Ch 232, [1959] 3 All ER 562, CA; *Re Recher's Will Trusts, National Westminster Bank Ltd v National Anti-Vivisection Society Ltd* [1972] Ch 526, [1971] 3 All ER 401.

4 See eg *Gott v Nairne* (1876) 3 ChD 278 (trust to buy advowson and present fit person to benefice); *Re Thompson, Public Trustee v Lloyd* [1934] Ch 342 (trust for the furthering of fox-hunting; in this case, following *Pettingall v Pettingall* (1842) 11 LJ Ch 176, liberty was given to the residuary legatees to apply in case the trust was not carried out). An advowson may be held in trust for the inhabitants of a parish: see ECCLESIASTICAL LAW. As to gifts for the benefit of fluctuating bodies of persons see CHARITIES vol 5(2) (2001 Reissue) para 53.

5 Trusts for the repair of monuments in churches are charitable: see CHARITIES vol 5(2) (2001 Reissue) para 36.

6 *Trimmer v Danby* (1856) 25 LJ Ch 424; *Pirbright v Salwey* [1896] WN 86; *Re Hooper, Parker v Ward* [1932] 1 Ch 38.

7 *Pettingall v Pettingall* (1842) 11 LJ Ch 176; *Mitford v Reynolds* (1848) 16 Sim 105; *Re Dean, Cooper-Dean v Stevens* (1889) 41 ChD 552; *Re Haines, Johnson v Haines* (1952) Times, 7 November. As to the application of the law relating to perpetuities in connection with such trusts see PERPETUITIES AND ACCUMULATIONS vol 35 (Reissue) paras 1005, 1014. A trust for the protection of animals generally is normally charitable: see CHARITIES vol 5(2) (2001 Reissue) para 44.

8 See *Bowman v Secular Society Ltd* [1917] AC 406 at 441, HL; *Re Diplock, Wintle v Diplock* [1941] Ch 253 at 259, [1941] 1 All ER 193 at 198, CA (affd sub nom *Chichester Diocesan Fund and Board of Finance Inc v Simpson* [1944] AC 341, [1944] 2 All ER 60, HL); *Re Astor's Settlement Trusts, Astor v Scholfield* [1952] Ch 534 at 540–547, [1952] 1 All ER 1067 at 1070–1074; *Re Shaw, Public Trustee v Day* [1957] 1 All ER 745, [1957] 1 WLR 729 (compromised on appeal [1958] 1 All ER 245n, CA); *Leahy v A-G for New South Wales* [1959] AC 457 at 484, [1959] 2 All ER 300 at 310–311, PC; *Re Endacott, Corpe v Endacott* [1960] Ch 232 at 245–246, [1959] 3 All ER 562 at 567–568, CA. In *Re Astor's Settlement Trusts, Astor v Scholfield* supra there was no person entitled, subject to the trust, to the trust fund through whom the court could have indirectly enforced the trust (cf *Re Thompson, Public Trustee v Lloyd* [1934] Ch 342; and note 4 supra), and the absence of any such person was treated by the court as important in determining that the trusts were invalid; but in *Re Shaw, Public Trustee v Day* supra the existence of such persons was held not to enable the court to hold the trusts to be valid. As to the necessity for certainty in the objects of a trust see para 655 et seq post.

9 *Re Astor's Settlement Trusts, Astor v Scholfield* [1952] Ch 534, [1952] 1 All ER 1067. See WILLS vol 50 (2005 Reissue) para 410.

10 This is the rule referred to as the rule against perpetuities in e g *Chamberlayne v Brockett* (1872) 8 Ch App 206 at 211; *A-G v Webster* (1875) LR 20 Eq 483 at 491; *Income Tax Special Purposes Comrs v Pemsel* [1891] AC 531 at 581–582, HL. This is the terminology preferred in Morris and Leach's *Rule against Perpetuities* (2nd Edn) p 326, notwithstanding that this has the effect that the same term is used in two senses. It has also been referred to as the rule against inalienability: *Re Chardon, Johnston v Davies* [1928] Ch 464; *Re Wightwick's Will Trusts, Official Trustees of Charitable Funds v Fielding-Ould* [1950] Ch 260, [1950] 1 All ER 689. Maudsley's *Modern Law of Perpetuities* p 171 prefers to call it the rule against indefinite duration, saying that the objection is that the income of the fund is to be applied for a non-charitable purpose for an excessive period of time, but no specific item of property is inalienable. It is to be distinguished from the rule against remoteness of vesting, commonly known as the rule against perpetuities (see PERPETUITIES AND ACCUMULATIONS vol 35 (Reissue) para 1001 et seq). The rule against perpetual trusts has not been affected by the Perpetuities and Accumulations Act 1964: see s 15(4); and PERPETUITIES AND ACCUMULATIONS vol 35 (Reissue) para 1005. See also *Carne v Long* (1860) 2 De GF & J 75; *Re Macaulay's Estate, Macaulay v O'Donnell* [1943] Ch 435n, HL.

11 Ie the period of a life or lives in being and 21 years and a possible period for gestation after: see PERPETUITIES AND ACCUMULATIONS vol 35 (Reissue) para 1008 et seq. The 'wait and see' provisions of the Perpetuities and Accumulations Act 1964 do not apply: see s 15(4). For the view that the 80-year period allowed by s 1 may be specified see Maudsley's *Modern Law of Perpetuities* p 178.

12 *Re Denley's Trust Deed, Holman v HH Martyn & Co Ltd* [1969] 1 Ch 373, [1968] 3 All ER 65.

13 As to unincorporated associations as employers see *Affleck v Newcastle Mind* [1999] ICR 852, [1999] IRLR 405, EAT.

14 See PERPETUITIES AND ACCUMULATIONS vol 35 (Reissue) para 1005.

15 *Leahy v A-G for New South Wales* [1959] AC 457, [1959] 2 All ER 300, PC.

16 *National Anti-Vivisection Society v IRC* [1948] AC 31, [1947] 2 All ER 217, HL.

17 *Bacon v Pianta* (1966) 114 CLR 634, Aust HC; *Re Grant's Will Trusts* [1979] 3 All ER 359, [1980] 1 WLR 360.

18 *Re Denley's Trust Deed, Holman v HH Martyn & Co Ltd* [1969] 1 Ch 373, [1968] 3 All ER 65; *Re Turkington* [1937] 4 All ER 501 (both cases applied in *Re Lipinski's Will Trusts, Gosschalk v Levy* [1976] Ch 235, [1977] 1 All ER 33). See also *Re Grant's Will Trusts* [1979] 3 All ER 359, [1980] 1 WLR 360; *Walker v Stones* [2001] QB 902, [2000] 4 All ER 412, CA.

19 *Brown v Burdett* (1882) 21 ChD 667 (a house devised upon trust to be practically closed up for 20 years held to have been undisposed of during that period).

608. Uncertainty. The objects of a trust must be indicated with sufficient precision, for in order to be valid a trust must be one which the court can control and execute[1]. An exception exists in the case of trusts for charitable purposes, which will not be allowed to fail for want of precision in declaring the objects[2]; and by statute some trusts which otherwise would have failed because the trust property was not exclusively applicable for charitable purposes have been validated[3].

1 See *Morice v Bishop of Durham* (1805) 10 Ves 522 at 539–540. See also *McPhail v Doulton* [1971] AC 424, [1970] 2 All ER 228, HL; and paras 655–656 post.

2 See e g *Re Harpur's Will Trusts, Haller v A-G* [1962] Ch 78 at 91–92, [1961] 3 All ER 588 at 591–592, CA, per Lord Evershed MR; and CHARITIES vol 5(2) (2001 Reissue) paras 82 et seq, 114–115.
3 See the Charitable Trusts (Validation) Act 1954; and CHARITIES vol 5(2) (2001 Reissue) paras 90–95.

609. Persons who may be trustees. The appointment of a minor to be a trustee in relation to any settlement or trust is void, irrespective of the nature of the property to which the settlement or trust relates[1], but it seems that he can hold property, other than a legal estate in land[2], upon a resulting, implied or constructive trust[3]. Apart from this, any person who is capable in law of holding property in his own right may hold the office of trustee in respect of such property[4]. A corporation, whether aggregate or sole, may as a rule be a trustee[5], and so may an alien[6].

A person may hold a legal estate in property as trustee of that estate for himself and other beneficiaries[7]. He may not, however, at the same time be sole trustee and sole beneficiary of commensurate legal and equitable estates in property[8], but he may be the legal owner of property and at the same time the equitable owner of a smaller equitable estate or interest in the same property where that smaller estate or interest does not in equity merge in the larger legal estate[9].

1 Law of Property Act 1925 s 20. This is without prejudice to the power to appoint a new trustee to fill the vacancy: s 20. As to the appointment of new trustees see para 818 et seq post. Under the Trusts of Land and Appointment of Trustees 1996 s 2, Sch 1 para 1 (replacing the Law of Property Act 1925 s 19(4), (5) (repealed)), a conveyance of a legal estate to a minor on any trusts is ineffectual to pass any legal estate to him: see CHILDREN AND YOUNG PERSONS vol 5(3) (Reissue) para 31.
2 See the Law of Property Act 1925 s 1(6); and CHILDREN AND YOUNG PERSONS vol 5(3) (Reissue) para 25.
3 *Re Vinogradoff, Allen v Jackson* [1935] WN 68.
4 As to how far the Sovereign can be a trustee see CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) para 844; and as to trustees of literary and scientific institutions see LIBRARIES AND OTHER SCIENTIFIC AND CULTURAL INSTITUTIONS vol 28 (Reissue) paras 483, 485. A local authority is not authorised to accept property which, when accepted, would be held in trust for an ecclesiastical charity or a charity for the relief of poverty: see the Local Government Act 1972 s 139(3); and LOCAL GOVERNMENT vol 29(1) (Reissue) para 507. There are statutory disqualifications in relation to charity trustees (see the Charities Act 1993 s 72 (as amended); and CHARITIES vol 5(2) (2001 Reissue) para 249) and in relation to trustees of an occupational pension scheme established under a trust (see the Pensions Act 1995 ss 29, 30 (as amended); and SOCIAL SECURITY AND PENSIONS vol 44(2) (Reissue) para 788).
5 *Green v Rutherforth* (1750) 1 Ves Sen 462; *A-G v Foundling Hospital Governors* (1793) 2 Ves 42 at 46, 50; *A-G v Aspinall* (1837) 2 My & Cr 613; *Assets Realisation Co v Trustees, Executors, and Securities Insurance Corpn* (1895) 65 LJ Ch 74; *Re Thompson's Settlement Trusts, Thompson v Alexander* [1905] 1 Ch 229; *Re Munster and Leinster Bank Ltd* [1907] 1 IR 237 at 244, 251. See also paras 793 et seq, 833, 864 post; and CHARITIES vol 5(2) (2001 Reissue) 230 et seq; CORPORATIONS vol 9(2) (2006 Reissue) para 1246. Under the Bodies Corporate (Joint Tenancy) Act 1899 s 1, which empowers corporations to hold property as joint tenants, a corporate body can be a trustee jointly with other corporate bodies or with individuals: see *Re Thompson's Settlement Trusts, Thompson v Alexander* supra; *Re Munster and Leinster Bank Ltd* supra; and CORPORATIONS vol 9(2) (2006 Reissue) para 1246. As to the appointment of a corporation as a trustee by the court see para 864 post; as to trust corporations see para 798 et seq post; and as to the Public Trustee see para 766 et seq post.
6 See the Status of Aliens Act 1914 s 17 (as amended); and BRITISH NATIONALITY, IMMIGRATION AND ASYLUM vol 4(2) (2002 Reissue) para 13. An alien cannot, however, be the owner of a British ship (see the Status of Aliens Act 1914 s 17 proviso (3); the Merchant Shipping Act 1995 s 9(2)(a); the Merchant Shipping (Registration of Ships) Regulations 1993, SI 1993/3138 (as amended); and SHIPPING AND NAVIGATION); and certain persons only are qualified to hold a legal interest by way of ownership in an aircraft registered in the United Kingdom (see the Air Navigation Order 2005, SI 2005/1970, art 4(3); and AVIATION). See also *Meinertzhagen v Davis* (1844) 1 Coll 335.
7 *Burges v Lamb* (1809) 16 Ves 174; *Ex p Clutton* (1853) 17 Jur 988; *Forster v Abraham* (1874) LR 17 Eq 351; *Re Courtier, Coles v Courtier, Courtier v Coles* (1886) 34 ChD 136, CA; *Head v Gould* [1898] 2 Ch 250 at 272. A tenant for life may also be a trustee of the settlement under the Settled Land Act 1925: *Re Jackson's Settled Estate* [1902] 1 Ch 258; *Re Davies and Kent's Contract* [1910] 2 Ch 35, CA; *Re Johnson's Settled Estates* [1913] WN 222; *Re Pennant's Will Trusts, Pennant v Rylands* [1970] Ch 75, [1969] 2 All ER 862. As to settled land trustees generally see SETTLEMENTS vol 42 (Reissue) para 750 et seq. With limited

exceptions, it is no longer possible to create new settlements under the Settled Land Act 1925: see the Trusts of Land and Appointment of Trustees Act 1996 s 2; and para 601 note 6 ante. See also para 724 post.

8 *Habergham v Vincent* (1793) 2 Ves 204 at 210 per Lord Loughborough LC; *Brydges v Brydges, Philips v Brydges* (1796) 3 Ves 120 at 126–127 per Arden MR; *Selby v Alston* (1797) 3 Ves 339 at 341; *Re Douglas, Wood v Douglas* (1884) 28 ChD 327 at 331 per Pearson J; *Fung Ping Shan v Tong Shun* [1918] AC 403, PC. See also *Goodright v Wells* (1781) 2 Doug KB 771 at 778 per Lord Mansfield CJ. Cf *Re Cook, Beck v Grant* [1948] Ch 212, [1948] 1 All ER 231. As to the position of equitable tenants in common of land who acquire the legal estate as joint tenants see REAL PROPERTY vol 39(2) (Reissue) para 257. As to merger generally see EQUITY vol 16(2) (Reissue) para 764 et seq; REAL PROPERTY vol 39(2) (Reissue) paras 255–256.

9 *Robinson v Cuming* (1739) 1 Atk 473; *Brydges v Brydges, Philips v Brydges* (1796) 3 Ves 120 at 126–127. An equitable estate tail does not merge in a legal fee simple: *Merest v James* (1821) 6 Madd 118.

610. Persons who may be beneficiaries. Any person or corporation capable at law or in equity of taking and holding to any extent property or an interest in property either by a transaction operating inter vivos or by a testamentary disposition is to the same extent capable of taking and holding a beneficial interest as beneficiary under a trust of that property or interest[1]. Moreover, the interposition of a trustee enables trusts to be created in favour of persons not yet in existence and objects incapable of taking a benefit under a direct gift[2].

1 As to the capacity of corporations see CORPORATIONS vol 9(2) (2006 Reissue) paras 1223, 1230 et seq (distinction between statutory and other corporations), 1247 et seq (ownership of property). A minor is incapable of holding a legal estate in land, but land may be held in trust for him: see CHILDREN AND YOUNG PERSONS vol 5(3) (Reissue) paras 30–32 et seq. Aliens can be beneficiaries under a trust of any property (see BRITISH NATIONALITY, IMMIGRATION AND ASYLUM vol 4(2) (2002 Reissue) para 13) except a British ship (see the Status of Aliens Act 1914 s 17 (as amended); the Merchant Shipping Act 1995 s 9(2)(a); the Merchant Shipping (Registration of Ships) Regulations 1993, SI 1993/3138 (as amended); and SHIPPING AND NAVIGATION); and certain persons only are qualified to hold a legal interest by way of ownership in an aircraft registered in the United Kingdom (see the Air Navigation Order 2005, SI 2005/1970, art 4(3); and AVIATION).

2 *Re Bowles, Amedroz v Bowles* [1902] 2 Ch 650.

(ii) Trusts contrasted with other Relationships

611. Distinction between power and trust. In general the distinction between a power and a trust is that the court cannot compel the execution of a power but it may compel the execution of a trust[1]. Thus if property is held by trustees on trust for A for life, remainder to B, with power in A's lifetime to pay income or capital to X, then X cannot compel the exercise of that power. However, A can compel the trustees to pay him the income if they do not exercise the power in X's favour within a reasonable time of receiving the income[2]. A provision which in form creates only a power may, however, be construed as creating a power in the nature of a trust, for example where a power is conferred to appoint among certain objects but there is no gift over in default of appointment and there is a clear indication that the donor of the power intended that some or other of the objects should benefit[3].

In the case of every trust for sale of land created by a disposition there is to be implied, despite any provision to the contrary made by the disposition, a power for the trustees to postpone sale of the land; and the trustees are not liable in any way for postponing sale of the land, in the exercise of their discretion, for an indefinite period[4].

1 See POWERS vol 36(2) (Reissue) paras 208, 286. See also para 632 et seq post.

2 *Re Allen-Mayrick's Will Trusts, Mangnall v Allen-Meyrick* [1966] 1 All ER 740, [1966] 1 WLR 499; cf *Re Locker's Settlement Trusts, Meachem v Sachs* [1978] 1 All ER 216, [1977] 1 WLR 1323, DC.

3 Eg where a testator has left his residuary estate to A for life and then for such of A's children in such shares as A may appoint, in which case the children may claim the property equally if A dies without

having made any appointment: see *Burrough v Philcox* (1840) 5 My & Cr 72; *Re Weekes' Settlement* [1897] 1 Ch 289; and POWERS vol 36(2) (Reissue) para 209 et seq.

4 Trusts of Land and Appointment of Trustees Act 1996 s 4(1). This provision applies to a trust whether it is created, or arises, before or after 1 January 1997 (s 4(2)), but does not affect any liability incurred by trustees before that date (s 4(3)). The date referred to is the date of commencement of the Trusts of Land and Appointment of Trustees Act 1996: see s 27(2); and the Trusts of Land and Appointment of Trustees Act 1996 (Commencement) Order 1996, SI 1996/2974. See further REAL PROPERTY vol 39(2) (Reissue) para 64. Trusts for sale of land are now subsumed under trusts of land: see para 605 note 5 ante. See also para 724 post.

612. Trusts by imposition of condition. Where property is given to a person upon condition that he does a certain act or confers a certain benefit on another person, the condition may constitute a trust if it is directed to be, or must necessarily be, performed and satisfied out of the property, and consequently imposes a fiduciary obligation in respect of the property[1]; but it will not be construed as a trust if this is not the case and the condition merely imposes a collateral duty[2]. Similarly, a devise of land upon condition of paying a sum of money or an annuity does not create a trust, although it may create a charge[3].

An obligation to do an act with respect to property may create a trust[4].

1 *Wright v Wilkin* (1860) 2 B & S 232 at 259, Ex Ch; *Merchant Taylors' Co v A-G* (1871) 6 Ch App 512; *A-G v Wax Chandlers' Co* (1873) LR 6 HL 1; *Cunningham v Foot* (1878) 3 App Cas 974 at 995, HL, per Lord O'Hagan; *Re Kirk, Kirk v Kirk* (1882) 21 ChD 431 at 436, CA, per Fry J; *Re Richardson, Shuldham v Royal National Lifeboat Institution* (1887) 56 LJ Ch 784; *Re Richardson, Richardson v Richardson* [1904] 2 Ch 777 at 780 per Joyce J.

2 *Kingham v Lee* (1846) 15 Sim 396 (not to commit waste); *Re Richardson, Richardson v Richardson* [1904] 2 Ch 777 (to reside in the testatrix's house and provide there a home for a person mentally disordered if that person chose). Cf *Re Brace, Gurton v Clements* [1954] 2 All ER 354, [1954] 1 WLR 955 (where a house was devised to a daughter on condition that she 'provided a home' for another daughter, and it was held that there was no binding trust imposed on the devisee). A condition in a will that a legatee should adopt the testator's daughter was held, however, to constitute a trust to provide out of the legacy for the maintenance of the daughter as if she were the legatee's adopted daughter: *Re Frame, Edwards v Taylor* [1939] Ch 700, [1939] 2 All ER 865.

3 *Hodge v Churchward* (1847) 16 Sim 71; *Cunningham v Foot* (1878) 3 App Cas 974 at 990, 995, 1002, HL.

4 *Fleeming v Howden* (1868) LR 1 Sc & Div 372 at 383, HL, per Lord Westbury.

613. Distinction between charge and trust. An express charge does not in itself amount to an express trust[1], as it imposes merely a liability on the property charged whereas a trust imposes a fiduciary character on its owner[2]. A charge may, however, amount to a trust if it is coupled with other trusts or the context otherwise so requires[3]. Conversely, a provision containing the expression 'trust' may on its true construction amount merely to a charge[4].

A person holding property subject to a charge is under no fiduciary duty to account for rents and profits arising from the property and, once the charge is satisfied, he holds the property absolutely and beneficially[5].

1 *King v Denison* (1813) 1 Ves & B 260; *Messenger v Andrews* (1828) 4 Russ 478; *Harrisson v Duignan* (1842) 2 Dr & War 295 at 304; *Hughes v Kelly* (1843) 3 Dr & War 482; *Francis v Grover* (1845) 5 Hare 39 at 49 et seq; *Charitable Donations and Bequests Comrs v Wybrants* (1845) 2 Jo & Lat 182; *Hodge v Churchward* (1847) 16 Sim 71; *Jacquet v Jacquet* (1859) 27 Beav 332; *Dickenson v Teasdale* (1862) 1 De GJ & Sm 52; *Williams v Arkle* (1875) LR 7 HL 606; *Re Hazlette* [1915] 1 IR 285. See also CHARITIES vol 5(2) (2001 Reissue) para 128 et seq.

2 See *Cunningham v Foot* (1878) 3 App Cas 974 at 992–993, HL, per Lord O'Hagan (where it was a question whether there was an express trust for the purpose of taking the obligation out of the relevant limitation period).

3 *Ball v Harris* (1839) 4 My & Cr 264; *Charitable Donations and Bequests Comrs v Wybrants* (1845) 2 Jo & Lat 182; *Hunt v Bateman* (1848) 10 I Eq R 360; *Jacquet v Jacquet* (1859) 27 Beav 332; *Saltmarsh v Barrett* (1861) 3 De GF & J 279; *Barrs v Fewkes* (1864) 2 Hem & M 60 at 65 per Wood V-C. As to the creation of an equitable lien see LIEN vol 28 (Reissue) para 755. As to the creation of an equitable charge see *Swiss Bank*

Corpn v Lloyds Bank Ltd [1982] AC 584, [1981] 2 All ER 449, HL; and CHOSES IN ACTION vol 6 (2003 Reissue) para 30; MORTGAGE vol 32 (2005 Reissue) para 306.

4 *Dawson v Clarke* (1811) 18 Ves 247 at 257 per Lord Eldon LC; *Barrs v Fewkes* (1864) 2 Hem & M 60 at 65–66.

5 *Re Oliver, Newbald v Beckitt* (1890) 62 LT 533.

614. Trusts and restitution. Restitution has now been recognised as a part of English law[1]. It is, perhaps, most closely related to contract[2] and tort[3], but there is an overlap with the law of trusts[4].

1 See *Lipkin Gorman (a firm) v Karpnale Ltd* [1991] 2 AC 548, [1992] 4 All ER 512, HL; *Woolwich Equitable Building Society v IRC* [1993] AC 70, sub nom *Woolwich Equitable Building Society v IRC (No 2)* [1992] 3 All ER 737, HL; and RESTITUTION vol 40(2) (Reissue) para 1301.

2 See CONTRACT.

3 See TORT.

4 See eg *Westdeutsche Landesbank Girozentrale v Islington London Borough Council* [1996] AC 669, [1996] 2 All ER 961, HL (where it was said that the resulting trust is an unsuitable basis for developing proprietary remedies: see at 716 and 999 per Lord Browne-Wilkinson); *Re Polly Peck International plc (in administration) (No 2)* [1998] 3 All ER 812, [1998] 2 BCLC 185, CA; and see RESTITUTION.

615. Distinction between governmental or public obligation and trust. Ministers of the Crown often administer property for the benefit of others in the exercise of the Crown's governmental functions. No trust arises in such a case[1]. If a person carrying out a public statutory duty is in breach of that duty, there is no remedy in breach of trust or equitable account[2]. There are, instead, the remedies of judicial review, declaration, injunction and recovery of money if wrongly demanded and paid[3].

1 See *Kinloch v Secretary of State for India in Council* (1880) 15 ChD 1 (on appeal (1882) 7 App Cas 619, HL); *Tito v Waddell (No 2)* [1977] Ch 106 at 210–224, [1977] 3 All ER 129 at 216–228 per Megarry V-C; *Philipp Bros Ltd v Republic of Sierra Leone and EC Commission* [1995] 1 Lloyd's Rep 289, CA. See also *Grenville-Murray v Earl of Clarendon* (1869) LR 9 Eq 11.

2 *Swain v Law Society* [1983] 1 AC 598, [1982] 2 All ER 827, HL.

3 *Swain v Law Society* [1983] 1 AC 598 at 618, [1982] 2 All ER 827 at 838, HL, per Lord Brightman; *Woolwich Equitable Building Society v IRC* [1993] AC 70, [1992] 3 All ER 737, HL. See also *Re West End Networks Ltd (in liquidation), Secretary of State for Trade and Industry v Frid* [2004] UKHL 24 at [27], [2004] 2 All ER 1042 at [27], [2004] BCLC 1 at [27] per Lord Hoffman. As to judicial review see ADMINISTRATIVE LAW vol 1(1) (2001 Reissue) para 117 et seq; PRACTICE AND PROCEDURE. As to injunctions see INJUNCTIONS. As to recovery of money wrongly demanded and paid see RESTITUTION.

616. Relationship between mortgagor and mortgagee. Since the enactment of the Law of Property Act 1925, a mortgagee cannot be a trustee of mortgaged land as the land must remain vested in the mortgagor[1]. In exercising his statutory power of sale a mortgagee is under no fiduciary duty to sell the land as a trustee would sell it[2]. He may exercise the power for his own purposes whenever he chooses to do so, and may give preference to his own interests over those of the mortgagor[3]. He is under a duty recognised by equity, which he owes to the mortgagor, and to a guarantor of the mortgage[4], to take reasonable care to obtain the market value of the land when he does proceed to a sale[5].

If the exercise of the power of sale produces more than necessary for discharging the mortgagor's liability to the mortgagee, the mortgagee holds the surplus on trust for any subsequent mortgagees and the mortgagor[6]. Thus the first mortgagee pays the surplus to the second mortgagee, who holds the money on trust to pay himself and then transfer the balance to the person next entitled, who will be the mortgagor if there is no third mortgagee.

If a mortgagee takes possession of the mortgaged land, he is made liable to account, somewhat like a trustee, on a footing of wilful default, which means that he has to

account not just for the benefits actually obtained from his possession but also for the benefits that could have been obtained if he had taken reasonable steps[7].

In the case of an equitable mortgage of land it may well be that the mortgagee's statutory power of sale extends only to the equitable estate, and not the legal estate[8]. As a device to enable the mortgagee to deal with the legal estate a clause is often inserted in the mortgage deed by which the mortgagor expressly declares that he holds the legal estate on trust for the mortgagee and authorises the mortgagee to appoint himself or his nominee as trustee in place of the mortgagor[9].

Where a mortgage takes effect by way of transfer of the property to the mortgagee, subject to a proviso for retransfer to the mortgagor on discharge of the mortgage debt, no trust relationship subsists[10] unless the mortgage instrument expressly declares a trust[11]. If a mortgagee has been fully paid off, until retransfer he holds the property on trust for the mortgagor[12].

1 See the Law of Property Act 1925 ss 85, 86 (as amended); and MORTGAGE vol 32 (2005 Reissue) para 387 et seq.

2 *Warner v Jacob* (1882) 20 ChD 220; *Cuckmere Brick Co Ltd v Mutual Finance Ltd* [1971] Ch 949, [1971] 2 All ER 633, CA. As to the power of sale see MORTGAGE vol 32 (2005 Reissue) para 640 et seq.

3 'Unlike statutory powers conferred for the public benefit, or trustees' powers conferred for the benefit of beneficiaries ... a mortgagee's powers are conferred upon him for his own benefit ... The power of sale is improperly exercised if it is no part of the mortgagee's purpose to recover the debt secured by the mortgage. Where, however, a mortgagee has mixed motives (or purposes) one of which is a genuine purpose of recovering, in whole or in part, the amount secured by the mortgage, ... the exercise of the power of sale will not be invalidated on that ground': *Meretz Investments v ACP Limited* [2006] EWHC 74 Ch at [314], [2006] 3 All ER 1029 at [314] per Lewison J.

4 *Standard Chartered Bank Ltd v Walker* [1982] 3 All ER 938, [1982] 1 WLR 1410, CA; *China and South Sea Bank Ltd v Tan Soon Gin (alias George Tan)* [1990] 1 AC 536, [1989] 3 All ER 839, PC; and see note 5 infra.

5 *Cuckmere Brick Co Ltd v Mutual Finance Ltd* [1971] Ch 949, [1971] 2 All ER 633, CA. It is not entirely clear whether the duty arises at common law or in equity. In *Standard Chartered Bank Ltd v Walker* [1982] 3 All ER 938 at 942, [1982] 1 WLR 1410 at 1415, CA, Lord Denning MR said that the duty is only a particular application of the general duty of care to one's neighbour which was stated by Lord Atkin in *M'Alister (or Donoghue) v Stevenson* [1932] AC 562, HL (see NEGLIGENCE vol 33 (Reissue) para 604). In *Parker-Tweedale v Dunbar Bank plc* [1991] Ch 12, [1990] 2 All ER 577, CA, however, Nourse LJ said that it was both unnecessary and confusing for the duty to be expressed in terms of the tort of negligence. In his view the court in *Cuckmere Brick Co Ltd v Mutual Finance Ltd* supra and the cases cited therein demonstrate that the duty is one recognised by equity as arising out of the particular relationship between mortgagor and mortgagee. The duty to take reasonable care to obtain market value does not include a duty to pursue planning applications in respect of it: *Silven Properties Ltd v Royal Bank of Scotland plc* [2003] EWCA Civ 1409, [2004] 4 All ER 484, [2004] 1 WLR 997; applied in *Den Norske Bank ASA v Acemex Management Co Ltd* [2003] EWCA Civ 1559, [2004] 1 All ER (Comm) 904. See also *Tse Kwong Lam v Wong Chit Sen* [1983] 3 All ER 54, [1983] 1 WLR 1349, PC; *American Express International Banking Corpn v Hurley* [1985] 3 All ER 564; *Predeth v Castle Phillips Finance Co Ltd* [1986] 2 EGLR 144, CA; *Downsview Nominees Ltd v First City Corpn Ltd* [1993] AC 295, [1993] 3 All ER 626, PC; *Medforth v Blake* [2000] Ch 86, [1999] 3 All ER 97, CA; *Mortgage Express v Mardner* [2004] EWCA Civ 1859, [2004] All ER D 299 (Dec); *Bradford and Bingley plc v Ross* [2005] EWCA Civ 394, [2005] All ER (D) 210 (Mar); *Bishop v Blake* [2006] EWHC 831 (Ch), [2006] 17 EG 113 (CS). The creditor's failure to obtain the proper value of a security which he sells reduces pro tanto the amount for which the guarantor is liable: *Skipton Building Society v Stott* [2001] QB 261 at 269, [2000] 2 All ER 779 at 786, CA, per Evans LJ; applied in *Barclays Bank plc v Kingston* [2006] EWHC 533 (QB), [2006] 1 All ER (Comm) 519. See also MORTGAGE vol 32 (2005 Reissue) para 659.

6 See the Law of Property Act 1925 s 105, seemingly codifying the position as exemplified by *Banner v Berridge* (1881) 18 ChD 254; and see MORTGAGE vol 32 (2005 Reissue) para 673. See also *Re Thomson's Mortgage Trusts, Thomson v Bruty* [1920] 1 Ch 508.

7 See MORTGAGE vol 32 (2005 Reissue) para 628. Thus where a brewery as mortgagee took possession of a public house mortgaged to it and leased it as a tied house, the brewery was held liable to account not for the rent actually received but for the rent it could have received if it had leased the public house as a free house: *White v City of London Brewery Co* (1889) 42 ChD 237, CA. However, unlike a trustee, the brewery did not have to account for the profits it received from sale of its products to the public house: *White v City of London Brewery Co* supra.

8 See *Re Hodson and Howes' Contract* (1887) 35 ChD 668; CA; cf *Re White Rose Cottage* [1965] Ch 940 at 951, [1965] 1 All ER 11 at 15, CA, per Lord Denning MR.
9 See MORTGAGE vol 32 (2005 Reissue) para 334.
10 See *Kirkwood v Thompson* (1865) 2 De GJ & Sm 613; *London and County Banking Co v Goddard* [1897] 1 Ch 642 at 649–650.
11 Thus if shares are transferred to X by way of mortgage, X may use the voting rights as he likes unless under the mortgage instrument he has bound himself to vote as directed by the mortgagor: *Siemens Bros & Co Ltd v Burns* [1918] 2 Ch 324, CA.
12 *Teevan v Smith* (1882) 20 ChD 724 at 730, CA; *London and County Banking Co v Goddard* [1897] 1 Ch 642 at 650.

617. Circumstances in which an agent is a trustee. The existence of a contractual relationship does not constitute a trust[1], and a contract of agency does not in itself make the agent a trustee[2]. Under a power of attorney or otherwise, an agent may, however, hold and deal with the property of his principal in such circumstances and in such a manner as to constitute him a trustee for his principal[3].

An agent may become a constructive trustee. If, for instance, his principal directs him to buy Blackacre, and he purports to buy it for himself, he will be held to be a constructive trustee of it for his principal[4]. He will also be held to be a constructive trustee if his principal transfers property to him for sale, investment or safe custody[5]; and where he receives property on behalf of his principal, provided he is under a duty to keep it separate from his own property[6].

1 *Ferguson v Wilson* (1866) 2 Ch App 77 at 87–88 per Turner LJ; *Wilson v Lord Bury* (1880) 5 QBD 518 at 530–531, CA; *Soar v Ashwell* [1893] 2 QB 390 at 393, CA, per Lord Esher MR.
2 *Lister & Co v Stubbs* (1890) 45 ChD 1, CA; *Piddocke v Burt* [1894] 1 Ch 343 at 346 per Chitty J; *Henry v Hammond* [1913] 2 KB 515; but see *A-G for Hong Kong v Reid* [1994] 1 AC 324, [1994] 1 All ER 1, PC (cited in para 618 note 4 post). See also AGENCY vol 2(1) (Reissue) paras 100, 103, 111. In the case of an agent employed under a contract, the scope of his fiduciary duties is determined by the terms of the underlying contract: see *Kelly v Cooper* [1993] AC 205, [1992] 3 WLR 936, PC (estate agent selling two adjacent properties; no duty to tell vendor that the same purchaser buying both properties; term implied into contract that estate agent could act for both properties and keep information confidential); *Henderson v Merrett Syndicates Ltd* [1995] 2 AC 145, [1994] 3 All ER 506, HL.
3 *Henchman v East India Co* (1797) 8 Bro Parl Cas 85; *Foley v Hill* (1848) 2 HL Cas 28 at 35–36 per Lord Cottenham LC; *Burdick v Garrick* (1870) 5 Ch App 233 at 240 per Lord Hatherley LC; *Gray v Bateman* (1872) 21 WR 137; *North American Land and Timber Co Ltd v Watkins* [1904] 1 Ch 242 (affd [1904] 2 Ch 233, CA); *Reid-Newfoundland Co v Anglo-American Telegraph Co Ltd* [1912] AC 555, PC; *Neste Oy v Lloyds Bank plc* [1983] 2 Lloyd's Rep 658; *Kingscroft Insurance Co Ltd v HS Weavers (Underwriting) Agencies Ltd* [1993] 1 Lloyd's Rep 187.
4 *Longfield Parish Council v Robson* (1913) 29 TLR 357.
5 See *Re Hallett's Estate* (1879) 13 ChD 696; *Burdick v Garrick* (1870) 5 Ch App 233.
6 *Lyell v Kennedy* (1889) 14 App Cas 437; *Foley v Hill* (1848) 2 HL Cas 28; *Aluminium Industrie Vaassen BV v Romalpa Aluminium Ltd* [1976] 2 All ER 552, [1976] 1 WLR 676; *Clough Mill Ltd v Martin* [1984] 3 All ER 982, [1985] 1 WLR 111, CA. As to bribes received by an agent see *A-G of Hong Kong v Reid* [1994] 1 AC 324, [1994] 1 All ER 1, PC.

618. Relationship between partners. The relationship between partners is special enough for the partners to owe some fiduciary duties to each other, but they are not treated as strictly trustees[1]. It has been held that, if a partner is in breach of his fiduciary duties, he is merely under a personal liability to account to the partnership for a sum corresponding to money received in breach of those duties (for example, a bribe)[2]; but the main authority[3] for that proposition has now been doubted by the Privy Council[4] which has said that that authority is not consistent with the principles that a fiduciary must not be allowed to benefit from his own breach of duty, that he should account for the bribe as soon as he receives it and that equity regards as done that which ought to be done. It follows that the bribe and the property from time to time representing it (and other property received in breach of his fiduciary duties) are held on constructive trust for the partnership[5]. On the dissolution of a partnership, or under the terms of a

partnership agreement, a trust of partnership property may arise[6]. A legal estate in land vested in partners as part of their partnership property is held by them on trust[7].

1 *Aas v Benham* [1891] 2 Ch 244, CA; *Trimble v Goldberg* [1906] AC 494; *Re Lewis, Lewis v Lewis* [1910] WN 217. See also PARTNERSHIP vol 35 (Reissue) para 3.
2 *Lister & Co v Stubbs* (1890) 45 ChD 1, CA. See also para 687 post.
3 Ie *Lister & Co v Stubbs* (1890) 45 ChD 1, CA.
4 See *A-G for Hong Kong v Reid* [1994] 1 AC 324, [1994] 1 All ER 1, PC. Although a decision of the Privy Council is technically not binding on the English courts (see *A-G v Blake* [1997] Ch 84 at 96, [1996] 3 All ER 903 at 912 per Scott V-C), it is thought that the decision in *Lister & Co v Stubbs* (1890) 45 ChD 1, CA, can now be regarded as wholly discredited (see *Worcester Works Finance Ltd v Cooden Engineering Ltd* [1972] 1 QB 210 at 217, [1971] 3 All ER 708 at 711, CA, per Lord Denning MR).

In *Daraydan Holdings Ltd v Solland International Ltd* [2004] EWHC 622 (Ch) at [86]–[89], [2005] Ch 119 at [86]–[89], [2005] 4 All ER 73 at [86]–[89] Lawrence Collins J said there were powerful policy reasons for ensuring that a fiduciary does not retain gains acquired in violation of fiduciary duty and that he would have applied *A-G for Hong Kong v Reid* supra in preference to *Lister & Co v Stubbs* supra had it been necessary. However, he found two significant features distinguishing *Lister & Co v Stubbs* supra from *Daraydan Holdings Ltd v Solland International Ltd* supra, in that: (1) there was evidence that the price was increased by the amount of the bribe so that the bribe was actually paid out of money of the claimants; and (2) the portion representing the bribe was paid as a result of a fraudulent misrepresentation, to which the agent was a party, that the inflated price was the true price. The bribe derived from the claimant's own money, making it a case where there was a proprietary basis for the claim.
5 *Featherstonhaugh v Fenwick* (1810) 17 Ves 298; *Cassels v Stewart* (1881) 6 App Cas 64 at 77, 79, HL; *Gordon v Gonda* [1955] 2 All ER 762 at 766, 768, [1955] 1 WLR 885 at 894–895, 897, CA.
6 *Gordon v Gonda* [1955] 2 All ER 762, [1955] 1 WLR 885, CA; cf *Thompson's Trustee in Bankruptcy v Heaton* [1974] 1 All ER 1239, [1974] 1 WLR 605. In *Don King Productions Inc v Warren* [2000] Ch 291, [1999] 2 All ER 218, CA, the benefit of all contracts concluded by a partner before the final winding up was found to be held on trust for the partnership because the partnership and each partner's obligations were deemed to continue for the purposes of winding up. However the partners can vary the position by agreement: *Lindsley v Woodfull* [2004] EWCA Civ 165, [2004] EWCA Civ 720, [2004] 2 BCLC 131. See further PARTNERSHIP vol 35 (Reissue) para 57.
7 See PARTNERSHIP vol 35 (Reissue) para 106.

619. Relationship between solicitor and client. Although a fiduciary relationship exists between a solicitor and his client to the extent that, on a gift by the client to the solicitor, undue influence is presumed[1], the relationship between them is not that of trustee and beneficiary[2]. A solicitor may, however, constitute himself a constructive trustee by his transactions or conduct[3]. Money held in a solicitor's client account is held on trust and the terms of the trust will be affected by any undertaking given by the solicitor as to the purposes for which the money will be applied[4].

1 See *Wright v Carter* [1903] 1 Ch 27, CA; and SOLICITORS vol 44(1) (Reissue) para 135.
2 *Fyler v Fyler* (1841) 3 Beav 550. See SOLICITORS vol 44(1) (Reissue) paras 99–100 (relationship established by retainer), 351 et seq (liability as an officer of the court). Money in a client's account is in some sense trust money: see SOLICITORS vol 44(1) (Reissue) para 100.
3 *Bulkley v Wilford* (1834) 2 Cl & Fin 102 at 177, HL; *Harpham v Shacklock* (1881) 19 ChD 207, CA; *Re Vernon, Ewens & Co* (1886) 33 ChD 402, CA; *Re Bell's Indenture, Bell v Hickley* [1980] 3 All ER 425, [1980] 1 WLR 1217. See also SOLICITORS vol 44(1) (Reissue) paras 100, 157. As to when the solicitor to a trustee becomes himself liable as a trustee to the beneficiaries see para 703 post. In *Islamic Republic of Iran Shipping Lines v Denby* [1987] 1 Lloyd's Rep 367, it was decided (applying *Lister & Co v Stubbs* (1890) 45 ChD 1, CA) that money accepted by a solicitor as a bribe from an opposing litigant is not held on trust for the client. However, *Lister & Co v Stubbs* supra was doubted and said to be inconsistent with fundamental equitable principles in *A-G for Hong Kong v Reid* [1994] 1 AC 324, [1994] 1 All ER 1, PC: see para 618 note 4 ante.
4 See *Barclays Bank Ltd v Rolls Razor Ltd* [1970] AC 567, sub nom *Barclays Bank v Quistclose Investments Ltd* [1968] 3 All ER 651, HL; *Twinsectra Ltd v Yardley* [2002] UKHL 12, [2002] 2 AC 164. [2002] 2 All ER 377; *Templeton Insurance Ltd v Penningtons Solicitors LLP* [2006] EWHC 685 (Ch), [2006] All ER (D) 191 (Feb).

620. Relationship between vendor, purchaser and auctioneer. A person who has bound himself by a specifically enforceable contract to sell real property to the

purchaser is in a qualified sense a trustee of it for the purchaser, although not a bare trustee[1]. Until the completion of the purchase, he has a lien upon it for the payment of the purchase money and he retains a substantial interest in the property[2]. He must, however, keep the property in repair, and he must neither himself damage the property nor through lack of precautions permit others to damage it[3]. If the vendor in breach of contract conveys the property to a third person who takes free from the contract, the purchaser may claim either damages from the vendor or the purchase money paid to the vendor by the third person (or anything purchased with it)[4]. This latter remedy flows logically from the trust imposed on the vendor in favour of the purchaser.

If the whole of the purchase price is paid, the vendor may properly be described as a bare trustee. However, the trust on which the vendor holds the property has no existence except as the equitable consequence of the contract, with potentially fatal results if the contract was registrable[5] as a land charge[6].

An auctioneer holds as trustee money received by him on the vendor's behalf in respect of a sale[7].

1 See *Green v Smith* (1738) 1 Atk 572 at 576; *Earl of Egmont v Smith* (1877) 6 ChD 469 at 475 per Jessel MR; *Royal Bristol Permanent Building Society v Bomash* (1887) 35 ChD 390 at 397 per Kekewich J; *Cumberland Consolidated Holdings Ltd v Ireland* [1946] KB 264 at 269, [1946] 1 All ER 284 at 286, CA; *Oughtred v IRC* [1960] AC 206 at 240, [1959] 3 All ER 623 at 633, HL, per Lord Jenkins; *Property Discount Corpn Ltd v Lyon Group Ltd* [1980] 1 All ER 334 at 338 (affd [1981] 1 All ER 379, [1981] 1 WLR 300, CA). The vendor shares with a genuine trustee the right to reimbursement for legitimate expenses: *Golden Bread Co Ltd v Hemmings* [1922] 1 Ch 162. Unlike a genuine trustee he is entitled to retain intervening rents and profits: *Berkley v Poulett* [1977] 1 EGLR 86 at 93, CA, per Stamp LJ. The purchaser's equitable interest is not destroyed if the vendor is a company which is placed in receivership by a debenture holder: *Freevale Ltd v Metrostore (Holdings) Ltd* [1984] Ch 199, [1984] 1 All ER 495. See also SALE OF LAND vol 42 (Reissue) paras 177–178.

2 *Lysaght v Edwards* (1876) 2 ChD 499 at 506–507 per Jessel MR. See also *Shaw v Foster* (1872) LR 5 HL 321 at 338. As to lien generally see LIEN.

3 *Earl of Egmont v Smith* (1877) 6 ChD 469; *Clarke v Ramuz* [1891] 2 QB 456, CA; *Royal Bristol Permanent Building Society v Bomash* (1887) 35 ChD 390; *Phillips v Lamdin* [1949] 2 KB 33, [1949] 1 All ER 770; *Davron Estates Ltd v Turnshire Ltd* (1982) 133 NLJ 937, CA. The vendor of a leasehold interest may not take steps which will lead to forfeiture (*Dowson v Solomon* (1859) 1 Drew & Sm 1) but the obligations do not extend to imposing covenants on purchasers of adjoining properties (*Englewood Properties Ltd v Patel* [2005] EWHC 188 (Ch) at [57]–[58], [2005] 3 All ER 307 at [57]–[58], [2005] 1 WLR 1961 at [57]–[58] per Lawrence Collins J). See also SALE OF LAND vol 42 (Reissue) paras 180–181.

4 *Lake v Bayliss* [1974] 2 All ER 1114, [1974] 1 WLR 1073. See also SALE OF LAND vol 42 (Reissue) paras 179, 199.

5 Ie under the Land Charges Act 1972 s 4(6) (as amended): see LAND CHARGES vol 26 (2004 Reissue) para 643.

6 *Lloyds Bank plc v Carrick* [1996] 4 All ER 630, [1996] 2 FLR 600, CA (payment of entire purchase price of a lease by a widow to her brother-in-law under an oral agreement that the property would be hers created a specifically enforceable contract; the court was not entitled to superimpose a further constructive trust, or interest under the doctrine of proprietary estoppel, on the brother-in-law in favour of the widow). It was pointed out that the result in that case would have been different if the title had been registered, when the purchaser would have had an overriding interest under the Land Registration Act 1925 s 70(1)(g) (repealed) (see now the Land Registration Act 2002, Sch 3 para 2; and LAND REGISTRATION vol 26 (2004 Reissue) para 962).

7 See AUCTION vol 2(3) (Reissue) para 222.

621. Relationship between bank and depositor. The deposit of money with a bank normally gives rise to a loan (a debtor-creditor relationship) and not to a trust[1]. Special circumstances may, however, create a constructive trust in the case of a bank or other person with whom the money or property of another is deposited[2]. The same transaction may involve both a loan and a trust even though the concepts are normally mutually exclusive[3]. Thus money may be lent on trust to pay dividends to shareholders, so that, if that purpose is performed, the borrower is liable only as a debtor to the lender; but, if the purpose is not performed, the money is to be held on trust for the

lender[4]. Similarly, where there is no loan but an antecedent debt, payment for a specific purpose creates a trust and, if that purpose is not carried out, the money is held on trust for the debtor[5].

1 See BANKING vol 3(1) (2005 Reissue) para 127. In *Sinclair v Brougham* [1914] AC 398, HL, the depositors in an ultra vires banking business were allowed to trace their sums deposited into the hands of the building society, which had run the bank, on the basis of a fiduciary relationship between the depositors and the directors; but this decision was doubted in *Westdeutsche Landesbank Girozentrale v Islington London Borough Council* [1996] AC 669, [1996] 2 All ER 961, HL. See para 1134 post. The relationship of debtor and creditor much not be converted into that of trustee and cestui que trust: see *Halifax Building Society v Thomas* [1996] Ch 217 at 229, [1995] 4 All ER 673 at 682, CA, per Peter Gibson LJ.

2 *Re Tidd, Tidd v Overell* [1893] 3 Ch 154; *Coleman v Bucks and Oxon Union Bank* [1897] 2 Ch 243. See also *Karak Rubber Co Ltd v Burden (No 2)* [1972] 1 All ER 1210, [1972] 1 WLR 602; *Rowlandson v National Westminster Bank Ltd* [1978] 3 All ER 370, [1978] 1 WLR 798; *Re English & American Insurance Co Ltd* [1994] 1 BCLC 649. As to knowing receipt of trust funds see para 703 post; and as to dishonest assistance see para 704 post.

3 *Barclays Bank Ltd v Rolls Razor Ltd* [1970] AC 567 at 581–582, sub nom *Barclays Bank v Quistclose Investments Ltd* [1968] 3 All ER 651 at 656, HL, per Lord Wilberforce.

4 See *Barclays Bank Ltd v Rolls Razor Ltd* [1970] AC 567, sub nom *Barclays Bank v Quistclose Investments Ltd* [1968] 3 All ER 651, HL; *Neste Oy v Lloyds Bank plc* [1983] 2 Lloyd's Rep 658; *Re EVTR, Gilbert v Barber* [1987] BCLC 646, CA; *Lord Napier and Ettrick and Richards Butler v RF Kershaw Ltd* [1993] 1 Lloyd's Rep 10, CA (revsd in part [1993] AC 713, [1993] 1 All ER 385, HL, without discussion of this point); *R v Clowes (No 2)* [1994] 2 All ER 316, CA; *Re Goldcorp Exchange Ltd (in receivership)* [1995] 1 AC 74, [1994] 2 All ER 806, PC; *R v Common Professional Examination Board, ex p Mealing-McCleod* (2000) Times, 2 May, [2000] All ER (D) 588, CA (bank loan for specific purpose of payment into court as security for the costs of an appeal on terms that the borrower was to be trustee of the money lent, and when the appeal was withdrawn the trust was enforced); *Twinsectra v Yardley* [2002] UKHL 12, [2002] 2 AC 164, [2002] 2 All ER 377. See also Millett 'The Quistclose trust: who can enforce it?' (1985) 101 LQR 269. See para 708 post.

5 *Carreras Rothmans Ltd v Freeman Mathews Treasure Ltd* [1985] Ch 207, [1985] 1 All ER 155.

622. Corporations and corporate property. A company or corporation is not a trustee of its corporate property for its nominal members[1]. Furthermore, it is not ordinarily affected with trusts or equitable interests upon or subject to which its nominal members hold their shares or interests in it[2]; and an insurance company is not a trustee of money due under its policies[3].

A promoter or a director of a company owes fiduciary duties to the company which may result in his holding specific property on constructive trust for the company or may make him personally liable to account to the company for a sum of money[4]. Persons who receive property from the promoter or director and who subsequently acquire notice of the company's claim may become trustees on the basis of knowing receipt[5].

1 See *Short v Treasury Comrs* [1948] 1 KB 116 at 122, [1947] 2 All ER 298 at 301, CA, per Evershed LJ; *Bank Voor Handel en Scheepvaart NV v Slatford* [1953] 1 QB 248 at 269, [1951] 2 All ER 779 at 794, CA; *Liverpool and District Hospital for Diseases of the Heart v A-G* [1981] Ch 193, [1981] 1 All ER 994. A company is not a trustee of dividends declared: see COMPANIES vol 7(1) (2004 Reissue) para 912.

2 See COMPANIES vol 7(1) (2004 Reissue) paras 786, 876, 919; COMPANIES vol 7(2) (2004 Reissue) paras 1017, 1883.

3 *Matthew v Northern Assurance Co* (1878) 9 ChD 80; *Belmont Finance Corpn v Williams Furniture Ltd (No 2)* [1980] 1 All ER 393 at 405, CA, per Buckley LJ; *Rolled Steel Products (Holdings) Ltd v British Steel Corpn* [1986] Ch 246, [1985] 3 All ER 52, CA. See INSURANCE vol 25 (2003 Reissue) para 562.

4 See COMPANIES vol 7(1) (2004 Reissue) para 248 et seq; COMPANIES vol 7(2) (2004 Reissue) para 1083 et seq. See also paras 687, 697 post.

5 *Westdeutsche Landesbank Girozentrale v Islington London Borough Council* [1996] AC 669 at 707, [1996] 2 All ER 961 at 989–990, HL, per Lord Browne-Wilkinson; applied in *Clark v Cutland* [2003] EWCA Civ 810, [2003] 4 All ER 733, [2004] 1 WLR 783.

623. Contracts and covenants for the benefit of third persons. There may be a trust of a contract. If one of two contracting parties contracts expressly as trustee for another person, that third person can enforce the trust[1]. A clear intention to create such

a trust must be shown to render it enforceable[2]. Similar principles apply in establishing whether or not there is a trust of a covenant[3].

These principles are now of less importance because, under the Contracts (Rights of Third Parties) Act 1999, a third party, without establishing a trust, may be able to enforce a term of a contract which purports to confer a benefit on him[4], unless on a proper construction of the contract it appears that the parties did not intend the term to be enforceable by the third party[5].

1 *Tomlinson v Gill* (1756) Amb 330. See further EQUITY vol 16(2) (Reissue) para 609. See also paras 661–662 post; and CONTRACT vol 9(1) (Reissue) paras 760–762; INSURANCE vol 25 (2003 Reissue) para 557.

2 *Re Schebsman, ex p Official Receiver, Trustee v Cargo Superintendents (London) Ltd and Schebsman* [1944] Ch 83 at 89, [1943] 2 All ER 768 at 770, CA, per Lord Greene MR; *Green v Russell* [1959] 1 QB 28 at 43–44, [1958] 3 All ER 44 at 50 per Ashworth J (on appeal [1959] 2 QB 226 at 241–242, [1959] 2 All ER 525 at 531–532, CA). Trusts should not lightly be implied in commercial affairs: see *ED & F Man (Sugar) Ltd v Evalend Shipping Co SA* [1989] 2 Lloyd's Rep 192 at 202. As to trusts for creditors see para 668 post.

3 See *Davenport v Bishopp* (1843) 2 Y & C Ch Cas 451 at 460; *Fletcher v Fletcher* (1844) 4 Hare 67; *Lloyd's v Harper* (1880) 16 ChD 290, CA; *Royal Exchange Assurance v Hope* [1928] Ch 179, CA.

4 See the Contracts (Rights of Third Parties) Act 1999 s 1(1)(b); and para 662 post. See also CONTRACT.

5 See ibid s 1(2); and para 662 post.

(iii) Classification of Trusts

624. Express trusts and trusts arising by operation of law. There is no generally agreed classification of trusts. Under one classification trusts are either:

(1) express trusts, which are created expressly or impliedly by the actual terms of some instrument or declaration, or which by some enactment are expressly imposed on persons in relation to some property vested in them, whether or not they are already trustees of that property[1]; or

(2) trusts arising by operation of law (other than express trusts imposed by enactments)[2].

1 Trusts are expressly imposed by e g the Administration of Estates Act 1925 s 33 (as amended) (see EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 555); the Land Registration Act 2002 s 7 (see LAND REGISTRATION vol 26 (2004 Reissue) para 829); the Law of Property Act 1925 ss 34(2), (3), 36(1) (as amended) (see REAL PROPERTY vol 39(2) (Reissue) para 211); and the Settled Land Act 1925 s 36(2) (as amended) (see SETTLEMENTS vol 42 (Reissue) para 713). As to the imposition of trusts of land by statute generally see SETTLEMENTS vol 42 (Reissue) para 899. Trusts imposed by statute in the context of the exercise of a public function do not necessarily bring with them the full range of trust obligations attendant upon a private law trust: *Re Ahmed & Co (a firm)* [2006] EWHC 480 (Ch), (2006) 150 Sol Jo LB 402, [2006] All ER (D) 195 (Mar) (Law Society held to be carrying out a public function when holding money of a solicitor's firm in exercise of its power of intervention in relation to solicitors' practices under the Solicitors Act 1974 s 35 (see SOLICITORS vol 44(1) (Reissue) para 479)). The label 'statutory trust' can characterise a trust that does not bear all the indicia of a trust as would be recognised by a Court of Chancery apart from the statute: *Ayerst (Inspector of Taxes) v C & K (Construction) Ltd* [1976] AC 167 at 178, [1975] 2 All ER 537 at 542, HL, per Lord Diplock.

2 It no longer makes any difference for the purposes of limitation of actions whether a trust is an express trust or not: see LIMITATION OF ACTIONS vol 28 (Reissue) paras 1037, 1046–1049.

625. Resulting and constructive trusts. Resulting trusts and constructive trusts arise, or are implied, by operation of law, and may or may not reflect the intention of the persons concerned, whereas express trusts arise from the intention of the disposer ascertained from the formal or informal words used by him. The formal requirements of the Law of Property Act 1925 as to the creation of interests in land[1] do not affect the creation or operation of resulting or constructive trusts[2].

Resulting trusts are of two kinds[3]. A presumed resulting trust arises from the application of a rebuttable presumption of intention that property purchased wholly or

partly by X but vested in Y's name should be held by Y on trust for X to the extent of X's share in the purchase; likewise, where there is a voluntary transfer by X into the name of Y or the joint names of X and Y, there is a presumption of a resulting trust for X[4]. An automatic resulting trust arises where X transfers property to Y on trusts which for some reason fail to dispose wholly of X's beneficial ownership so that Y automatically and irrebuttably holds the property on trust for X to the extent of X's undisposed of beneficial interest[5].

A constructive trust is automatically imposed in circumstances where it is unconscionable or contrary to fundamental equitable principles for the owner of particular property to hold it purely for his own benefit[6]. It is imposed irrespective of the intentions of the persons concerned, although it may coincide with their original intentions where the person who had agreed to hold property as express trustee subsequently relies on the absence of the requisite statutory formalities to claim the property as sole beneficial owner[7]. It is, however, possible to regard this latter situation as an express trust enforced as such and exempted from the statutory formalities on the basis that equity will not allow a statute to be used as an instrument of fraud[8].

Not only are the requirements for resulting and constructive trusts distinct, but their effects may be different[9].

1 Ie the Law of Property Act 1925 s 53(1): see DEEDS AND OTHER INSTRUMENTS vol 13 (2007 Reissue) para 24.

2 See ibid s 53(2); and see DEEDS AND OTHER INSTRUMENTS vol 13 (2007 Reissue) para 24. This provision also refers to 'implied' trusts, as 'implied' was often used as a synonym for 'resulting' or 'constructive' or both.

3 *Re Vandervell's Trusts (No 2), White v Vandervell Trustees Ltd* [1974] Ch 269 at 291, [1974] 1 All ER 47 at 68 per Megarry J (revsd without affecting this point [1974] Ch 269, [1974] 3 All ER 205, CA); *Allen v Rochdale Borough Council* [2000] Ch 221, [1999] 3 All ER 443, CA. See also para 705 et seq post. It has been suggested that resulting trusts of registered land are not generally consistent with the Land Registration Act 1925 (repealed: see now the Land Registration Act 2002; and LAND REGISTRATION vol 26 (2004 Reissue) para 810 et seq): see Wilde 'Resulting Trusts of Registered Land: when is recognising them consistent with the terms of the Land Registration Act 1925?' [1999] Conv 382.

4 *Re Vinogradoff* [1935] WN 68. See also para 713 post. As to a voluntary conveyance of real property see para 718 post.

5 This may be the last thing intended by X: see e g *Re Vandervell's Trust (No 2), White v Vandervell Trustees Ltd* [1974] Ch 269, [1974] 1 All ER 47.

The analysis of this category of resulting trust by Megarry J in *Re Vandervell's Trust (No 2), White v Vandervell Trustees Ltd* supra has been doubted: see *Westdeutsche Landesbank Girozentrale v Islington London Borough Council* [1996] AC 669 at 708, [1996] 2 All ER 961 at 991, HL, per Lord Browne-Wilkinson, who stated that in his view if the settlor has expressly or by necessary implication abandoned any beneficial interest in the trust property there would be no resulting trust but the interest that was not disposed of would vest in the Crown as bona vacantia. As to bona vacantia see CROWN PROPERTY vol 12(1) (Reissue) para 231 et seq.

6 *Boardman v Phipps* [1967] 2 AC 46, [1966] 3 All ER 721, HL. See also para 687 et seq post.

English law has not followed other jurisdictions where the constructive trust has become a remedy for unjust enrichment, and has in general remained essentially a substantive institution: see *Halifax Building Society v Thomas* [1996] Ch 217 at 229, [1995] 4 All ER 673 at 682, CA, per Peter Gibson LJ. See also para 621 note 2 ante.

7 *Bannister v Bannister* [1948] 2 All ER 133, CA.

8 *Rochefoucauld v Boustead* [1897] 1 Ch 196 at 208, CA; *Allen v Snyder* [1977] 2 NSWLR 685, NSW CA.

9 Thus a wife's half share of a home on constructive trust principles was voidable under the Bankruptcy Act 1914 s 42 (repealed) on the bankruptcy of her husband, whilst her one-ninth share as purchaser under a presumed resulting trust entitled her to one-ninth of the proceeds of sale received by the trustee in bankruptcy: see *Re Densham (a bankrupt), ex p trustee of bankrupt v Densham* [1975] 3 All ER 726, [1975] 1 WLR 1519.

626. Executed and executory trusts. Express trusts may be either executed or executory[1]. A trust is executed in the technical sense where the terms of the trust are designated by the instrument or declaration creating it[2], even though the creator directs

a settlement to be executed embodying the designated provisions[3]. A trust is executory in the technical sense where the instrument or declaration by which it is created directs the subsequent execution of an instrument defining the trust and does not itself define with absolute precision the terms of that instrument[4]. In the case of an executed trust technical words will receive a strict construction. In the case of an executory trust the court considers the instrument as a whole in order to discover the creator's real intention and need not give his words their technical, legal meaning[5]. The distinction is now of little importance[6].

1 For an example of both see *Re Beresford-Hope, Aldenham v Beresford-Hope* [1917] 1 Ch 287. As to executory trusts see paras 669–671 post.

2 *Lord Glenorchy v Bosville* (1733) Cas temp Talb 3 at 19 per Lord Talbot LC. In general a trust is executed when its creator has been his own conveyancer in defining it: *Franks v Price* (1840) 3 Beav 182; *Egerton v Earl Brownlow* (1853) 4 HL Cas 1 at 61, 210; *Doncaster v Doncaster* (1856) 3 K & J 26; *Fullerton v Martin* (1860) 1 Drew & Sm 31; *De Havilland v De Saumarez, De Havilland v Bingham* (1865) 14 WR 118; *Re Nelley's Trusts* (1877) 26 WR 88, CA. A trust or bequest of personal estate 'to be enjoyed with and go with the title' to a peerage is executed and not executory: *Re Johnston, Cockerell v Earl of Essex* (1884) 26 ChD 538.

3 *Egerton v Earl Brownlow* (1853) 4 HL Cas 1 at 61, 210.

4 *Lord Glenorchy v Bosville* (1733) Cas temp Talb 3 at 19 per Lord Talbot LC; *Bagshaw v Spencer* (1748) 1 Wils 238. See also para 670 post. In one sense all trusts are executory, as they have to be executed or carried out by the trustee: *Bellamy v Burrow* (1735) Cas temp Talb 97 at 108 per Lord Talbot LC; *Jervoise v Duke of Northumberland* (1820) 1 Jac & W 559 at 570 et seq per Lord Eldon LC; *Egerton v Earl Brownlow* (1853) 4 HL Cas 1 at 61, 210 per Lord St Leonards.

5 *Sackville-West v Viscount Holmesdale* (1870) LR 4 HL 543 at 565; *Re Bostock's Settlement, Norrish v Bostock* [1921] 2 Ch 469, CA; *Re Flavel's Will Trusts, Coleman v Flavel* [1969] 2 All ER 232, [1969] 1 WLR 444.

6 See the Law of Property Act 1925 ss 60, 130, 131 (all as amended); para 670 post; and REAL PROPERTY vol 39(2) (Reissue) paras 119, 172.

627. Precatory trusts. A precatory trust is a trust established by precatory words, such as expressions of confidence, request or desire that property will be applied for the benefit of a definite person or object, where these words are construed in equity as imperatively constituting a trust[1]. The expression is in fact a 'misleading nickname'[2] and is a way of saying that the court finds that there is a trust, although the trust is not expressed as such but by words of prayer or suggestion or the like[3]. Courts are now reluctant to find that precatory words create a trust unless there is little doubt that, looking at the instrument as a whole, a binding trust obligation was intended[4].

1 *Knight v Knight* (1840) 3 Beav 148 at 171 et seq per Lord Langdale MR. See also paras 650–651 post.

2 *Re Williams, Williams v Williams* [1897] 2 Ch 12 at 27, CA, per Rigby LJ.

3 *Re Sanson, Sanson v Turner* (1896) 12 TLR 142.

4 *Re Oldfield, Oldfield v Oldfield* [1904] 1 Ch 549, CA; *Comiskey v Bowring-Hanbury* [1905] AC 84, HL; *Re Hill, Public Trustee v O'Donnell* [1923] 2 Ch 259; *Re Johnson, Public Trustee v Calvert* [1939] 2 All ER 458; *Re Steele's Will Trusts, National Provincial Bank Ltd v Steele* [1948] Ch 603, [1948] 2 All ER 193; *Re Hetherington* [1990] Ch 1, sub nom *Re Hetherington, Gibbs v McDonnell* [1989] 2 All ER 129; *Re Norton's Will Trusts, Lightfoot v Goldson* [1948] 2 All ER 842, [1949] LJR 53. See further paras 650–651 post.

628. Secret trusts. A secret trust is created where property is in law given to a person either absolutely or upon an indefinite trust, but there has been an undertaking by him or an understanding between him and the donor, not clothed with the requisite formalities for the creation of a legal trust, that it is to be applied for the benefit of some other person or object[1]. There must be evidence that the testator intended to impose a legally enforceable duty and not merely a moral obligation[2].

1 *McCormick v Grogan* (1869) LR 4 HL 82 at 88–89 per Lord Hatherley LC; *Re Stead, Witham v Andrew* [1900] 1 Ch 237 at 240–241, CA, per Farwell J. See para 672 et seq post.

2 *Kasperbauer v Griffiths* [2002] WTLR 333, CA.

629. Voluntary trusts. A voluntary trust is a trust made for no valuable consideration, and is not enforceable in equity unless it has been completely constituted[1]. However, where a settlor has covenanted to transfer property to trustees, a beneficiary may now be able to enforce the covenant under the provisions of the Contracts (Rights of Third Parties) Act 1999[2].

In general, unless the consideration is plainly illusory[3], the court does not inquire into its adequacy and treats the trust as made for value[4]. Marriage by itself, without any further consideration, constitutes a valuable consideration[5].

1 As to the enforceability of voluntary trusts see para 662 post.
2 See para 662 post. See also CONTRACT.
3 *Kelson v Kelson* (1853) 10 Hare 385.
4 *Townend v Toker* (1866) 1 Ch App 446.
5 *Ex p Marsh* (1744) 1 Atk 158. As to the spouses and issue within the marriage consideration see *Re Cook's Settlement Trusts, Royal Exchange Assurance v Cook* [1965] Ch 902, [1964] 3 All ER 898; and SETTLEMENTS vol 42 (Reissue) paras 661–662.

630. Public trusts. Trusts for public purposes[1] are either:

(1) charitable, in which case they are governed by the law relating to charitable trusts[2]; or
(2) for public objects which are not of a charitable character.

With certain exceptions[3], trusts for public objects which are not of a charitable character are invalid if they infringe the law which restricts the creation of perpetuities[4]; and it seems that, even if they do not infringe the law against perpetuities, such trusts will not in general be recognised by the courts except in so far as they are for the benefit of ascertained or ascertainable beneficiaries[5].

Certain trusts which might appear to be public charitable trusts are in fact private trusts. In particular, a trust for the benefit of a group of persons, however numerous, whose common and distinguishing quality is their relationship to a particular individual or individuals does not as a general rule constitute a public charitable trust, even though its purposes are such that it would have been a valid charitable trust if the range of potential beneficiaries had extended to the community at large or a section of it[6].

1 As to the power of trustees of public trusts to act by a majority see *Wilkinson v Malin* (1832) 2 Cr & J 636; *Skinners' Co v Irish Society* (1838) 7 Beav 593; *Fletcher v Gibbon* (1856) 23 Beav 212; *Perry v Shipway* (1859) 4 De G & J 353; *Cooper v Gordon* (1869) LR 8 Eq 249; *Re Whiteley, Bishop of London v Whiteley* [1910] 1 Ch 600.
2 As to charitable trusts generally see CHARITIES. Substantial changes are made to charity law by the Charities Act 2006, though these do not affect taxation. In particular, the Act establishes a set of 12 heads of charity to replace the historic categorisation, with the emphasis on the public benefit requirement in every case, together with the removal of the presumption of public benefit from organisations for the relief of poverty, the advancement of religion and the promotion of education: see s 2 (not yet in force); and CHARITIES. As to the exemption of charitable trusts from the necessity for precision in the declaration of objects see CHARITIES vol 5(2) (2001 Reissue) 97 et seq. As to the application to charitable trusts of the law which restricts the creation of perpetuities see CHARITIES vol 5(2) (2001 Reissue) para 134. As to the enforcement of charitable trusts see para 631 post; and CHARITIES vol 5(2) (2001 Reissue) para 456.
3 Statutory provision has been made e g for the validation of certain trusts which would have failed because the trust property was not exclusively applicable for charitable purposes (see CHARITIES vol 5(2) (2001 Reissue) para 90 et seq), certain occupational pension schemes (see PERPETUITIES AND ACCUMULATIONS vol 35 (Reissue) para 1044), certain trusts for the reduction of the National Debt (see para 686 post) and certain gifts on trust to use the income for the upkeep of historic buildings or gardens (see the Historic Buildings and Ancient Monuments Act 1953 ss 8(2), (5), 8A(2), (5), 8B(2), (5) (ss 8A, 8B as added); and TOWN AND COUNTRY PLANNING vol 46(3) (Reissue) paras 1067–1069). As to the validity of a gift to a perpetual unincorporated non-charitable institution if the gift can be construed as a gift to the existing individual members as an accretion to the institution's funds and if it is not subject to a trust which prevents them disposing of its corpus see generally GIFTS; and see also CHARITIES vol 5(2)

(2001 Reissue) paras 55, 135; LIBRARIES AND OTHER SCIENTIFIC AND CULTURAL INSTITUTIONS vol 28 (Reissue) para 477 et seq; PERPETUITIES AND ACCUMULATIONS vol 35 (Reissue) para 1005.

4 See CHARITIES vol 5(2) (2001 Reissue) paras 55, 133–134; PERPETUITIES AND ACCUMULATIONS vol 35 (Reissue) para 1005.

5 See *Re Astor's Settlement Trusts, Astor v Scholfield* [1952] Ch 534, [1952] 1 All ER 1067; *Re Shaw, Public Trustee v Day* [1957] 1 All ER 745, [1957] 1 WLR 729 (compromised on appeal [1958] 1 All ER 245n, CA); *Re Endacott, Corpe v Endacott* [1960] Ch 232 at 245–246, [1959] 3 All ER 562 at 567–568, CA; *Re Denley's Trust Deed, Holman v HH Martyn & Co Ltd* [1969] 1 Ch 373, [1968] 3 All ER 65; *Re Lipinski's Will Trusts, Gosschalk v Levy* [1976] Ch 235, [1977] 1 All ER 33. See also para 607 ante.

6 *Oppenheim v Tobacco Securities Trust Co Ltd* [1951] AC 297, [1951] 1 All ER 31, HL; but see *Dingle v Turner* [1972] AC 601 at 623, [1972] 1 All ER 878 at 889, HL, obiter per Lord Cross. See also CHARITIES vol 5(2) (2001 Reissue) para 6 et seq. Certain trusts for the relief of poverty form an exception to this principle: see *Dingle v Turner* supra.

631. Private trusts. Within the category of private trusts come trusts for the benefit of particular individuals[1], whether or not immediately ascertainable, or for the benefit of some aggregate of individuals ascertained by reference to some personal relationship[2], and trusts for the benefit of particular animals and for the maintenance of tombs not forming part of a church[3], but not trusts for the benefit of the public or a section of the public[4].

Private trusts are enforceable by the beneficiaries, whereas public charitable trusts are enforceable at the instance of the Attorney General[5].

1 As to trusts for minors and for their maintenance and advancement see CHILDREN AND YOUNG PERSONS vol 5(3) (Reissue) para 54 et seq.

2 *Oppenheim v Tobacco Securities Trust Co Ltd* [1951] AC 297, [1951] 1 All ER 31, HL; *Re Denley's Trust Deed, Holman v HH Martyn & Co Ltd* [1969] 1 Ch 373, [1968] 3 All ER 65. If the trust is principally for the relief of poverty, even though the possible beneficiaries are ascertainable by reference to some personal tie, the trust may be treated as a public charitable trust and not a private trust: see *Gibson v South American Stores (Gath and Chaves) Ltd* [1950] Ch 177, [1949] 2 All ER 985, CA; *Dingle v Turner* [1972] AC 601, [1972] 1 All ER 878, HL.

3 See para 607 ante.

4 As to the distinction between public and private trusts see further CHARITIES vol 5(2) (2001 Reissue) paras 6 et seq, 52 et seq.

5 *Wellbeloved v Jones* (1822) 1 Sim & St 40 at 43. Cf *Re Diplock, Wintle v Diplock* [1941] Ch 253 at 259, [1941] 1 All ER 193 at 198, CA (affd sub nom *Chichester Diocesan Fund and Board of Finance Inc v Simpson* [1944] AC 341, [1944] 2 All ER 60, HL); *Re Freeston's Charity, Sylvester v University College, Oxford* [1978] 1 All ER 481 at 490, [1978] 1 WLR 120 at 129 (this point not discussed on appeal [1979] 1 All ER 51, [1978] 1 WLR 741, CA). See also CHARITIES vol 5(2) (2001 Reissue) para 456.

(iv) Courts and Procedure

A. HIGH COURT

632. Jurisdiction. All causes and matters relating to the execution of trusts by the High Court are assigned to the Chancery Division[1]. Likewise, all proceedings brought in the High Court under the Trustee Act 1925 are assigned to the Chancery Division[2]. By that Act the court[3] is given power:

(1) to appoint new trustees[4];
(2) to authorise a corporation appointed as trustee to charge remuneration[5];
(3) to make vesting orders[6];
(4) to authorise dealings with trust property[7];
(5) to give judgment in the absence of a trustee[8];
(6) to make orders as to the costs incident to applications for orders appointing new trustees and vesting orders[9];
(7) to relieve a trustee from personal liability[10]; and

(8) to order a beneficiary to indemnify a trustee in respect of a breach of trust instigated or requested or consented to in writing by him[11].

The High Court also has jurisdiction under the Variation of Trusts Act 1958 to approve arrangements varying or revoking trusts[12].

The court has statutory jurisdiction to appoint a person as judicial trustee to be a trustee of a trust in certain cases[13], and to entertain appeals against acts, omissions or decisions of the Public Trustee[14].

Moreover, besides the jurisdiction given to it by statute, the court has a limited inherent jurisdiction to alter the terms of trusts[15], and in exercise of its inherent jurisdiction may intervene in the management and administration of a trust where, for example, there is no trustee to carry it on or the trustee refuses to act[16], and, where expedient, the court may order the trust fund to be paid into court[17].

Rules of court may make provision for enabling any judgment given in a claim in the High Court relating to trusts, and falling within any description specified in rules of court, to be made binding on persons who are or may be affected by the judgment and would not otherwise be bound by it but who have in accordance with the rules been given notice of the claim and of such matters connected with it as the rules may require[18].

In general, a trustee is entitled to be paid the costs of proceedings to which he is a party, in so far as they are not recovered from or paid by any other person, out of the relevant trust fund or estate[19]. Where the trustee is entitled to be paid any of those costs out of the fund, they will be assessed on the indemnity basis[20].

1 Supreme Court Act 1981 s 61(1), Sch 1 para 1(c). As from a day to be appointed, the Supreme Court of England and Wales is renamed the Senior Courts of England and Wales by the Constitutional Reform Act 2005 s 59(1) (not yet in force): see COURTS. Accordingly the Supreme Court Act 1981 is renamed the Senior Courts Act 1981 by the Constitutional Reform Act 2005 s 59(5), Sch 11 para 1(1) (not yet in force): see COURTS. At the date at which this volume states the law no such day had been appointed.

All jurisdiction vested in the High Court under the Supreme Court Act 1981 belongs to all divisions alike (see the Supreme Court Act 1981 s 5(5); and COURTS vol 10 (Reissue) para 603), but a court of one division may refuse to exercise a power assigned to another division (see e g *Compton (Marquess of Northampton) v Compton (Marchioness of Northampton) and Hussey* [1960] P 201 at 211, [1960] 2 All ER 70 at 76, where what was then the Probate, Divorce and Admiralty Division was unwilling to order the removal of a trustee). As to the extent to which the authority having jurisdiction under the Mental Health Act 1983 Pt VII (ss 93–113) (as amended; repealed as from 1 October 2007) or the Mental Capacity Act 2005 Pt 2 (ss 45–61) (as amended) has concurrent jurisdiction with the High Court in relation to trustees who lack capacity see para 830 post; and MENTAL HEALTH vol 30(2) (Reissue) para 721. As to the jurisdiction of that authority in relation to the variation of trusts see para 1063 note 2 post; and MENTAL HEALTH vol 30(2) (Reissue) para 722.

2 CPR Sch 1 RSC Ord 93 r 4.

3 For the purposes of the Trustee Act 1925, 'the court' means the High Court or the county court, where those courts respectively have jurisdiction: s 67(1) (amended by the Courts Act 1971 s 56(4), Sch 11 Pt II). As to county courts see paras 641–642 post.

4 See the Trustee Act 1925 s 41 (as amended); and para 849 et seq post.

5 See ibid s 42; and para 801 post.

6 See ibid ss 44–56 (as amended); and para 869 et seq post.

7 See ibid s 57; and para 1061 post.

8 See ibid s 59; and para 1077 post.

9 See ibid s 60; and paras 853, 873 post. As to trustee's costs in legal proceedings generally see para 906 et seq post.

10 See ibid s 61; and para 1123 post.

11 See ibid s 62 (as amended); and para 1131 post.

12 See the Variation of Trusts Act 1958 s 1 (as amended); and para 1062 et seq post. Proceedings by which an application is made under this provision are assigned to the Chancery Division: CPR 64.1(3).

13 See the Judicial Trustees Act 1896 s 1 (as amended); and para 760 et seq post.

14 See the Public Trustee Act 1906 s 10; and para 788 post. As to the Public Trustee see para 766 et seq post.

15 See para 1060 post.

16 See paras 1067–1068 post.

17 See para 917 post.
18 See the Administration of Justice Act 1985 s 47(1), (2); and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 809. See also CPR 19.8A; para 640 post; and EXECUTORS AND ADMINISTRATORS. Different provision may be made under the Administration of Justice Act 1985 s 47 in relation to claims of different descriptions: s 47(3). As to the power of the High Court to authorise action to be taken in reliance on counsel's opinion see para 633 post. It is clear that the court has jurisdiction to make an order for payment out of moneys which are found to belong to some other person as is commonly done in relation to the costs of ascertaining who is beneficially interested under a trust: *Re Westdock Realisations Ltd* [1988] BCLC 354 at 359 per Browne-Wilkinson V-C.
19 See CPR 48.4(1), (2); and para 907 et seq post. As to the power to charge the costs of an application for an order appointing a new trustee or a vesting order see the Trustee Act 1925 s 60; and paras 853, 873 post.
20 See CPR 48(3); and para 907 et seq post.

633. Construction of trusts; reliance on counsel's opinion. Where:

(1) any question of construction has arisen out of the terms of a trust; and
(2) an opinion in writing given by a person who has a ten-year High Court qualification[1] has been obtained on that question by the trustees under the trust,

the High Court may, on the application of the trustees and without hearing argument, make an order authorising the trustees to take such steps in reliance on that opinion as are specified in the order[2].

The High Court may not, however, make such an order if it appears to the court that a dispute exists which would make it inappropriate for the court to make the order without hearing argument[3].

1 Ie within the meaning of the Courts and Legal Services Act 1990 s 71 (as amended): see SOLICITORS vol 44(1) (Reissue) para 91.
2 Administration of Justice Act 1985 s 48(1) (amended by the Courts and Legal Services Act 1990 s 71(2), Sch 10 para 63). As to the procedure applicable to a claim under the Administration of Justice Act 1985 s 48 see paras 1074–1079 post.
3 Ibid s 48(2).

634. Claims relating to the administration of estates and trusts. High Court claims relating to the administration of estates of deceased persons and to trusts must be brought in the Chancery Division[1] by issuing a Part 8 claim form[2]. This applies to claims: (1) for the court to determine a particular question[3]; (2) for an order that the administration of the estate or the execution of the trust be carried out under the direction of the court (an 'administration order')[4]; (3) under the Variation of Trusts Act 1958[5]; or (4) authorised to rely on a written opinion[6] given by a person who has a ten-year High Court qualification[7].

1 CPR 64.1(3).
2 CPR 64.3.
3 CPR 64.2(a); and *Practice Direction—Estates, Trusts and Charities* PD 64 para 1. See also para 635 post. As to the costs of applications under CPR 64.2(a) see *Practice Direction—Estates, Trusts and Charities* PD 64 para 6.
4 CPR 64.2(b); and *Practice Direction—Estates, Trusts and Charities* PD 64 para 3. See also para 636 post.
5 CPR 64.2(c); and *Practice Direction—Estates, Trusts and Charities* PD 64 para 4. As to the Variation of Trusts Act 1958 see para 1062 et seq post.
6 Ie an opinion given under the Administration of Justice Act 1985 s 48 (see para 633 ante).
7 CPR 64.2(d); and *Practice Direction—Estates, Trusts and Charities* PD 64 para 5.

635. Determination of questions. A trustee[1] or a beneficiary may bring a claim in the High Court for the determination of any question arising in the execution of a trust[2].

Types of claims which may be made[3] are:

(1) the determination of any of the following questions:

(a) who is included in any class of persons having a claim against the estate of a deceased person or a beneficial interest in an estate or property subject to a trust[4];

(b) as to the rights or interests of any person claiming to be a creditor of the estate of a deceased person, to be entitled under a will or intestacy, or to be beneficially entitled under a trust[5];

(2) a claim for any of the following remedies:

(a) an order requiring a trustee to provide and, if necessary, verify accounts or to pay into court money held as a trustee, or to do or not do any particular act[6];

(b) an order approving any sale, purchase, compromise or other transaction by a trustee[7]; or

(c) an order directing any act to be done which the court could order to be done if the estate or trust in question were being administered or executed under the direction of the court[8].

The court will normally prefer to deal with specific issues rather than undertaking the administration of the estate or trust which is a cumbersome and expensive process[9].

Where trustees do not have, or decide not to exercise, a power to pay the costs of a party to an application for the determination of a question arising in the execution of a trust, the trustees or the party concerned may apply to the court at any stage of proceedings for an order that the costs of any party (including the costs of the trustees) are to be paid out of the fund[10].

1 For these purposes 'trustee' includes executors and administrators: CPR 64.1(2). See also para 601 ante.

2 CPR Pt 64. For guidance about applications by trustees for directions see *Practice Direction—Applications to the Court for Directions by Trustees in relation to the Administration of the Trust* PD 64b. Examples of applications for the determination of specific questions include an application for the construction of the trust instrument as to whether the trustees should bring or defend a claim (*Re Moritz* [1960] Ch 251, sub nom *Re Moritz, Midland Bank Executor and Trustee Co Ltd v Forbes* [1959] 3 All ER 767; *Re Eaton, Shaw v Midland Bank Executor and Trustee Co Ltd* [1964] 3 All ER 229n, [1964] 1 WLR 1269) or as to whether a fund may be distributed on the basis that a person is dead (*Re Newson-Smith's Settlement, Grice v Newson-Smith* [1962] 3 All ER 963n, [1962] 1 WLR 1478) or a woman is past child-bearing (*Re Westminster Bank Ltd's Declaration of Trust* [1963] 2 All ER 400n, [1963] 1 WLR 820). See also EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 714.

3 Ie claims which may be made under CPR 64.2(a) (see para 634 ante).

4 *Practice Direction—Estates, Trusts and Charities* PD 64 para 1(1)(a).

5 *Practice Direction—Estates, Trusts and Charities* PD 64 para 1(1)(b).

6 *Practice Direction—Estates, Trusts and Charities* PD 64 para 1(2)(a).

7 *Practice Direction—Estates, Trusts and Charities* PD 64 para 1(2)(b).

8 *Practice Direction—Estates, Trusts and Charities* PD 64 para 1(2)(c).

9 See para 636 post.

10 See *Practice Direction—Estates, Trusts and Charities* PD 64 paras 6.1–6.3.

636. Application for administration of trust. A trustee[1] or a beneficiary may bring a claim in the High Court for the execution of a trust under the court's direction[2]. The court will only make an administration order[3] if it considers that the issues between the parties cannot properly be resolved in any other way[4]. Where an order is made for the sale of any property vested in trustees, those persons have the conduct of the sale unless the court directs otherwise[5].

1 As to the meaning of 'trustee' see para 635 note 1 ante.

2 See CPR 64.2(b); and para 1075 post. Proceedings for the administration of a trust are brought using a Part 8 claim form: CPR 64.3. As to the persons to be made parties to such a claim see para 637 post. As to the Part 8 procedure see CPR Pt 8; and PRACTICE AND PROCEDURE vol 37 (Reissue) paras 312–314.

3 For the meaning of 'administration order' see para 634 ante.

4 *Practice Direction—Estates, Trusts and Charities* PD 64 para 3.1. As to the court's powers where it is alleged that no or insufficient accounts have been furnished by the trustees see para 1075 note 3 post. As to breach of trust see para 1084 et seq post.
5 *Practice Direction—Estates, Trusts and Charities* PD 64 para 3.4.

637. Parties to claims relating to the administration of estates and trusts. In a claim relating to the administration of estates and trusts[1] all the trustees must be parties[2]. If the claim is made by trustees, any of them who does not consent to being a claimant must be made a defendant[3]. The claimant may make parties to the claim any persons with an interest in or claim against the estate or an interest under the trust, who it is appropriate to make parties having regard to the nature of the order sought[4].

In a claim under the Variation of Trusts Act 1958[5] certain additional persons[6] must, if alive, be made parties unless the court directs otherwise[7].

1 Ie a claim to which the CPR 64.4 applies, other than an application under the Administration of Justice Act 1985 s 48 (power of High Court to authorise action to be taken in reliance on counsel's opinion) (see para 633 ante). See also para 634 ante. This rule has effect notwithstanding anything in CPR 19.2 (see PRACTICE AND PROCEDURE vol 37 (Reissue) para 257), and without prejudice to the court's powers under CPR Pt 19 (addition and substitution of parties) (see PRACTICE AND PROCEDURE vol 37 (Reissue) para 251 et seq): see CPR 64.4. In an application under the Administration of Justice Act 1985 s 48 (see para 633 ante) a claim form may be issued without naming a defendant: see CPR 8.2A; and *Practice Direction—Estates, Trusts and Charities* PD 64 para 5. No separate application under CPR 8.2A need be made: *Practice Direction—Estates, Trusts and Charities* PD 64 para 5.
2 CPR 64.4(1)(a).
3 CPR 64 4(1)(b).
4 CPR 64 4(1)(c). As to the application for joining of beneficiaries see *Practice Direction—Applications to the Court for Directions by Trustees in relation to the Administration of the Trust* PD 64b para 4.1.
5 See para 1062 et seq post.
6 Ie any person who created the trust or provided property for the purposes of the trust: CPR 64.4(2)(a), (b).
7 CPR 64.4(2).

638. Service out of the jurisdiction. A claim form may in general be served on a defendant out of the jurisdiction where each claim included in the claim form against the defendant to be served is a claim which the court has power to determine:

(1) under the Civil Jurisdiction and Judgments Act 1982[1]; or
(2) under the Judgments Regulation[2]; or
(3) under any other enactment[3].

In other cases, a claim form may be served out of the jurisdiction with the permission of the court if:

(a) a claim is made for any remedy which might be obtained in proceedings to execute the trusts of a written instrument where the trusts ought to be executed according to English law and the person on whom the claim form is to be served is a trustee of the trusts[4];
(b) a claim is made for a remedy against the defendant as a constructive trustee where the defendant's alleged liability arises out of acts committed within the jurisdiction[5].

1 See CPR 6.19(1). The conditions in CPR 6.19(1)(a), (b) must be fulfilled. As to the claims which the court has power to determine under the Civil Jurisdiction and Judgments Act 1982 see PRACTICE AND PROCEDURE.
2 CPR 6.19(1A). The conditions in CPR 6.19(1A)(a), (b) must be fulfilled. The 'Judgments Regulation' means EC Council Regulation 44/2001 (OJ L12, 16.01.01, p 1): CPR 6.18(j).
3 CPR 6.19(2). The conditions in CPR 6.19(2)(a), (b) must be fulfilled.
4 CPR 6.20(11).
5 CPR 6.20(14). When seeking to serve a defendant out of the jurisdiction as a constructive trustee it is not necessary to show that all the acts were committed within the jurisdiction so long as some of them were: *Polly Peck International plc v Nadir* [1992] BCLC 746.

639. Representation of persons. In any claim about property subject to a trust, the court may make an order appointing a person to represent any other person or persons in the claim where the person or persons to be represented[1]:

(1) is or are unborn[2];
(2) cannot be found[3];
(3) cannot easily be ascertained[4]; or
(4) are a class of persons who have the same interest in a claim and either: (a) one or more members of that class are within head (1), (2) or (3) above; or (b) to appoint a representative would further the overriding objective[5].

An application for any such order may be made at any time before or after a claim has started by any person who seeks to be appointed under the order, or by any party to the claim[6].

The court's approval is required to settle a claim in which a party is acting as a representative under these provisions[7], and approval will be given only where the court is satisfied that the settlement is for the benefit of all the represented persons[8].

Unless the court otherwise directs, any judgment or order given in a claim in which a party is acting as a representative under these provisions is binding on all persons represented in the claim, but may only be enforced by or against a person who is not a party to the claim with the permission of the court[9].

The court can give directions as to who should be joined as defendants and who should be given notice of proceedings[10].

A claim may be brought by or against trustees, executors or administrators in that capacity without adding as parties any persons who have a beneficial interest in the trust or estate ('the beneficiaries')[11]. Any judgment or order given or made in the claim is binding on the beneficiaries unless the court orders otherwise in the same or other proceedings[12].

1 CPR 19.7(1), (2).
2 CPR 19.7(2)(a).
3 CPR 19.7(2)(b).
4 CPR 19.7(2)(c).
5 CPR 19.7(2)(d). As to the overriding objective see CPR Pt 1; and PRACTICE AND PROCEDURE.
6 See CPR 19.7(3). As to the persons on whom an application for an order must be served see CPR 19.7(4).
7 CPR 19.7(5).
8 See CPR 19.7(6).
9 CPR 19.7(7).
10 See *Practice Direction—Applications to the Court for Directions by Trustees in relation to the Administration of the Trust* PD 64b paras 4, 5.
11 CPR 19.7A(1). The court may order any of the beneficiaries to be added as a new party, or to be substituted for an existing party, or to cease to be a party: see CPR 19.2. As to the personal representative of a deceased trustee as a party to a claim against a surviving trustee see para 1078 post.
12 CPR 19.7A(2).

640. Order affecting a third party. In a claim relating to property subject to a trust[1] the court may at any time direct that notice of any judgment or order given in the claim be served on any person who is not a party but who is or may be affected by it[2].

Any person served with such a notice of a judgment or order is bound by the judgment or order as if he had been a party to the claim; but may, provided he acknowledges service within 28 days after the notice is served on him, apply to the court to set aside or vary the judgment or order and take part in any proceedings relating to the judgment or order[3].

1 See CPR 19.8A(1)(b).
2 See CPR 19.8A(2).
3 CPR 19.8A(8).

B. COUNTY COURTS

641. General jurisdiction. A county court has all the jurisdiction of the High Court in proceedings for the execution of any trust or for a declaration that a trust subsists, or in certain proceedings for the variation of trusts[1], where the estate or fund subject, or alleged to be subject, to the trust does not exceed the county court limit[2] in amount or value[3]. Moreover, this jurisdiction may be extended to an unlimited amount by a memorandum signed by the parties or by their respective legal representatives or agents[4].

1 Ie proceedings under the Variation of Trusts Act 1958 s 1 (as amended): see para 1062 et seq post.
2 'The county court limit' for the purposes of the County Courts Act 1984 s 23 is £30,000: County Courts Jurisdiction Order 1981, SI 1981/1123, art 2, Table col 3 (amended by SI 1991/724); Interpretation Act 1978 s 17(2)(b). That sum is also the current limit for the purposes of county court jurisdiction under the Trustee Act 1925 ss 41, 42, 44–46, 51, 53, 57, 60–63 (ss 41, 62, 63 as amended): see s 63A (as added); and para 642 post.
3 County Courts Act 1984 s 23(b). In the Public Trustee Act 1906, 'court' includes a county court as respects trusts within its jurisdiction: see s 15; and para 767 note 9 post.
4 See the County Courts Act 1984 s 24(1), (2) (as amended); and COURTS vol 10 (Reissue) para 719. This jurisdiction by agreement does not extend, however, to proceedings under the Variation of Trusts Act 1958 s 1 (as amended): County Courts Act 1984 s 24(3).

642. Jurisdiction as to particular matters. Without prejudice to the generality of its jurisdiction conferred by the County Courts Act 1984[1], a county court has jurisdiction:

(1) where the trust estate or fund to be dealt with in the court does not exceed in amount or value the county court limit[2], to appoint new trustees[3], to authorise a corporation appointed as trustee to charge remuneration[4], to make vesting orders as to stock and things in action[5], to authorise dealings with trust property[6], to make orders as to the costs incident to applications for orders appointing new trustees or vesting orders[7], to relieve trustees from personal liability[8], and to order a beneficiary[9] in certain circumstances to indemnify a trustee for a breach of trust[10];

(2) where the land or the interest or contingent right in land which is to be dealt with in the court forms part of a trust estate which does not exceed in amount or value the county court limit, to make vesting orders of land[11], orders as to contingent rights in land of unborn persons[12] and orders[13] as to interests of mortgagees who are minors[14];

(3) where the judgment is given or order is made by the court, to make a vesting order consequential on an order for the sale or mortgage of land[15] or a vesting order[16] consequential on a judgment for specific performance[17];

(4) where a vesting order can be made by the court, to appoint a person to convey the land or any interest therein[18], or make an order[19] applicable to property out of England and Wales[20];

(5) where the amount or value of the property to be dealt with does not exceed the county court limit, to make a vesting order[21] in relation to a minor's beneficial interest[22];

(6) where the money or securities to be paid into court do not exceed in amount or value the county court limit, to accept or order[23] payment into court[24].

Any reference to the court in the statutory provisions relating to the court's power to give judgment in the absence of a trustee[25] includes a reference to the county court[26].

The jurisdiction of the court under the above heads may be extended, as respects any proceedings, by agreement[27].

1 Ie the jurisdiction conferred by the County Courts Act 1984 s 23(b): see para 641 ante.

2 For these purposes, 'the county court limit' means, in its application to any enactment, the amount for the time being specified by an Order in Council under ibid s 145 (as amended) as the county court limit for the purposes of that enactment or, where no such Order in Council has been made, the corresponding limit specified by Order in Council under the County Courts Act 1959 s 192 (repealed): Trustee Act 1925 s 63A(5) (s 63A added by the County Courts Act 1984 s 148(1), Sch 2 Pt I para 1). At the date at which this volume states the law no such Order in Council had been made under the County Courts Act 1984 s 145 but, by virtue of the Trustee Act 1925 s 63A(5) (as added), the County Courts Jurisdiction Order 1981, SI 1981/1123 (as amended), specifying the county court limit of £30,000 for the purposes of the enactments specified in the Trustee Act 1925 s 63A(1), (2), (3)(c), (d) (as added), has effect as if so made.
3 Ie under ibid s 41 (as amended): see para 849 post.
4 Ie by order under ibid s 42: see para 801 post.
5 Ie under ibid s 51 (as amended): see para 884 post. As to things in action see CHOSES IN ACTION.
6 Ie under ibid s 57: see para 1061 post.
7 Ie under ibid s 60: see paras 853, 873 post. As to a trustee's costs in legal proceedings generally see para 906 et seq post.
8 Ie by order under ibid s 61: see para 1123 post.
9 Ie under ibid s 62 (as amended): see para 1131 post.
10 Ibid s 63A(1) (as added: see note 2 supra).
11 Ie under ibid s 44: see para 875 post.
12 Ie orders under ibid s 45: see para 880 post.
13 Ie orders under ibid s 46: see para 881 post; and MORTGAGE vol 32 (2005 Reissue) para 357.
14 Ibid s 63A(2) (as added: see note 2 supra).
15 Ie an order under ibid s 47: see para 882 post.
16 Ie an order under ibid s 48: see para 883 post.
17 Ibid s 63A(3)(a) (as added: see note 2 supra).
18 Ie under ibid s 50: see para 879 post.
19 Ie an order under ibid s 56: see para 870 post.
20 Ibid s 63A(3)(b) (as added: see note 2 supra).
21 Ie under ibid s 53: see CHILDREN AND YOUNG PERSONS vol 5(3) (Reissue) para 71.
22 Ibid s 63A(3)(c) (as added: see note 2 supra).
23 Ie under the powers conferred by ibid s 63 (as amended): see para 917 et seq post.
24 Ibid s 63A(3)(d) (as added: see note 2 supra).
25 Ie ibid s 59: see para 1077 post.
26 Ibid s 63A(4) (as added: see note 2 supra).
27 See the County Courts Act 1984 s 24(1), (2) (as amended); and para 641 ante.

C. PROCEDURE

643. Procedure. The Civil Procedure Rules now provide a single set of rules governing civil court procedure[1].

Where the rules provide for the court to perform any act, then (except where an enactment, rule or practice direction provides otherwise) that act may be performed: (1) in relation to proceedings in the High Court, by any judge, master or district judge of that court; and (2) in relation to proceedings in the county court, by any judge or district judge[2]. There are, however, certain matters with which the master or district judge cannot deal without consent, including:

(a) approving compromises[3] (i) on behalf of a person under disability where that person's interest in a fund, or if there is no fund, the maximum amount of the claim, exceeds £100,000; and (ii) on behalf of absent, unborn and unascertained persons[4];
(b) making declarations, except in plain cases[5];
(c) making final orders under the Variation of Trusts Act 1958[6], except for the removal of protective trusts where the interest of the principal beneficiary has not failed or determined[7];
(d) where the proceedings are brought by a Part 8 claim form[8], determining any question of law or as to the construction of a document which is raised by the claim form[9];

(e) giving permission to trustees to bring or defend proceedings or to continue the prosecution or defence of proceedings, and granting an indemnity for costs out of the trust estate, except in plain cases[10].

Whenever a master or district judge has jurisdiction, he may refer the matter to a judge instead of dealing with it himself[11].

The general rule is that a hearing is to be in public[12]. It may, however, be in private if (A) publicity would defeat the object of the hearing[13]; (B) the hearing involves confidential information (including information relating to personal financial matters) and publicity would damage that confidentiality[14]; (C) a private hearing is necessary to protect the interests of any child or patient[15]; (D) it is a hearing of an application made without notice and it would be unjust to any respondent for there to be a public hearing[16]; (E) the hearing involves uncontentious matters arising in the administration of trusts[17]; or (F) the court considers it to be necessary in the interests of justice[18]. An application by a trustee for directions as to bringing or defending legal proceedings[19], and proceedings brought under the Inheritance (Provision for Family and Dependants) Act 1975[20], should in the first instance be listed by the court for a hearing in private[21].

Claims are generally made under the Part 8 procedure.

1 See CPR 2.1. The rules apply to proceedings in the High Court, county court and civil division of the Court of Appeal except for those set out in CPR 2.1.(2): CPR 2.1.
2 CPR 2.4.
3 Ie other than applications under the Inheritance (Provision for Family and Dependants) Act 1975: see PRACTICE AND PROCEDURE.
4 *Practice Direction—Allocation of Cases to Levels of Judiciary* PD 2B para 5.1(a).
5 *Practice Direction—Allocation of Cases to Levels of Judiciary* PD 2B para 5.1(b).
6 Ie under the Variation of Trusts Act 1958 s 1(1): see paras 1062–1063 post; and PRACTICE AND PROCEDURE.
7 *Practice Direction—Allocation of Cases to Levels of Judiciary* PD 2B para 5.1(c).
8 Ie by a Pt 8 claim form in accordance with *Practice Direction—How to Make Claims in Schedule Rules and Other Claims* PD 8B Section A.1(2) or (3). As to the Part 8 procedure see CPR Pt 8; and PRACTICE AND PROCEDURE.
9 *Practice Direction—Allocation of Cases to Levels of Judiciary* PD 2B para 5.1(d).
10 *Practice Direction—Allocation of Cases to Levels of Judiciary* PD 2B para 5.1(e).
11 *Practice Direction—Allocation of Cases to Levels of Judiciary* PD 2B para 1.2.
12 CPR 39.2(1).
13 CPR 39.2(3)(a).
14 CPR 39.2(3)(c).
15 CPR 39.2(3)(d).
16 CPR 39.2(3)(e).
17 CPR 39.2(3)(f).
18 CPR 39.2(3)(g).
19 *Practice Direction—Miscellaneous Provisions relating to Hearings* PD 39 para 1.5(10).
20 *Practice Direction—Miscellaneous Provisions relating to Hearings* PD 39 para 1.5(9).
21 *Practice Direction—Miscellaneous Provisions relating to Hearings* PD 39 para 1.5.

(2) EXPRESS TRUSTS

(i) Constitution of an Express Trust

A. DECLARATION OF TRUST

644. Mode of declaration. A declaration of trust respecting any land or any interest in it must be manifested and proved by some writing signed by some person who is able to declare the trust or by his will[1]. The trust need not be constituted by the writing; the writing is only required as evidence of the declaration of trust[2] and accordingly it is sufficient that at some later stage there is some writing which is

evidence of the fact of the trust[3]. The writing need not be in any particular form[4]; but it must contain all material terms of the trust[5]. Joinder of documents is permitted[6]. Writing is not necessary to support a trust which is actually in the course of being carried out by the person alleged to be a trustee[7]; nor will the absence of a writing enable a person who knows that land was conveyed to him as a trustee to claim it as his own[8]. Similarly, in the case of partnership property the absence of writing is immaterial[9]. A declaration after bankruptcy is effectual if the trust had existed before[10].

A trust of personal estate inter vivos may be declared either in writing[11], orally[12] or by conduct[13].

A disposition of an equitable interest or trust subsisting at the time of disposition, whether relating to realty or personalty, must actually be in writing if it is to be effective[14]. If T holds realty or personalty on trust for A and A directs T to hold the property instead for B, this ranks as a disposition by A of A's subsisting equitable interest and consequently it must be in writing[15]. If A declares that he holds his equitable interest on trust for B so that T holds the property for B and not A, this also is a disposition which must be in writing[16]. If A does not disappear from the picture because he has active duties to perform, as, for example, where he declares that he holds his equitable interest on trust for B for life, remainder to C (or on discretionary trusts), then this is not a disposition which must be in writing[17].

If intended to be testamentary, a trust of personalty or realty must be created by a duly executed will or codicil[18].

1 See the Law of Property Act 1925 s 53(1)(b), replacing the Statute of Frauds (1677) s 7 (repealed). See also DEEDS AND OTHER INSTRUMENTS vol 13 (2007 Reissue) paras 24, 147–148; POWERS vol 36(2) (Reissue) para 265. See further *Riddle v Emerson* (1682) 1 Vern 108; *Willis v Willis* (1740) 2 Atk 71; *Adlington v Cann* (1744) 3 Atk 141; *Leman v Whitley* (1828) 4 Russ 423; *De Biel v Thomson* (1841) 3 Beav 469 (affd sub nom *Hammersley v Baron de Biel* (1845) 12 Cl & Fin 45 at 63, HL); *Tierney v Wood* (1854) 19 Beav 330; *Kronheim v Johnson* (1877) 7 ChD 60; *Dye v Dye* (1884) 13 QBD 147, CA; *Re Cozens, Green v Brisley* [1913] 2 Ch 478. A declaration of trust contained in a person's will may be sufficient: see *Re Northcliffe, Arnholz v Hudson* [1925] Ch 651. As to declarations of trust see also GIFTS vol 20(1) (Reissue) para 69.

2 *Forster v Hale* (1798) 3 Ves 696 (affd (1800) 5 Ves 308); *Re Holland, Gregg v Holland* [1902] 2 Ch 360, CA. If the writing has been destroyed, secondary evidence may be admissible: *Barber v Rowe* [1948] 2 All ER 1050, CA. An unsigned document may provide evidence of the parties' intentions: *Sleebush v Gordon* [2005] EWHC 3447 (Ch), [2004] All ER (D) 148 (Sep).

3 *O'Hara v O'Neill* (1717) 7 Bro Parl Cas 227; *Forster v Hale* (1800) 5 Ves 308 at 315 per Lord Loughborough LC; *Randall v Morgan* (1805) 12 Ves 67 at 74 per Grant MR; *Morton v Tewart* (1842) 2 Y & C Ch Cas 67; *Dale v Hamilton* (1846) 5 Hare 369 at 394. As to the stamp duty chargeable on the declaration see STAMP DUTIES AND STAMP DUTY RESERVE TAX vol 44(1) (Reissue) paras 1077–1078.

4 See e g *Deg v Deg* (1727) 2 P Wms 412 (recital in deed); *Forster v Hale* (1798) 3 Ves 696 (affd (1800) 5 Ves 308) (correspondence); *Cohen v Roche* [1927] 1 KB 169; *Hill v Hill* [1947] Ch 231, [1947] 1 All ER 54, CA.

5 *Smith v Matthews, Re Matthews' Settlement* (1861) 3 De GF & J 139 at 151–152; *Rochefoucauld v Boustead* [1897] 1 Ch 196, CA; *Hawkins v Price* [1947] Ch 645, [1947] 1 All ER 689; *Tweddell v Henderson* [1975] 2 All ER 1096, [1975] 1 WLR 1496; *Ram Narayan v Rishad Hussain Shah* [1979] 1 WLR 1349, PC (writing insufficient where it omitted reference to chattels included in one indivisible contract for land and chattels).Where a property is conveyed into the joint names of purchasers, a declaration that the survivor has power to give a good receipt for capital money without any declaration of trust in express terms is not to be construed as a declaration by the parties that they hold the property for themselves as joint tenants: *Stack v Dowden* [2005] EWCA Civ 857 at [9]–[10], [2006] 1 P & CR 244 at [9]–[10], [2006] 1 FLR 254 at [9]–[10] per Chadwick LJ (citing *Harwood v Harwood* [1992] 1 FCR 1, [1991] 2 FLR 274, CA; *Huntingford v Hobbs* [1993] 1 FCR 45, [1993] 1 FLR 736, CA).

6 *Timmins v Moreland Street Property Co Ltd* [1958] Ch 110, [1957] 3 All ER 265, CA; *Elias v George Sahely & Co (Barbados) Ltd* [1983] 1 AC 646, [1982] 3 All ER 801, PC.

7 *Harris v Horwell* (1708) Gilb Ch 11. A declaration of trust may after a length of time be presumed to have been made but to have been lost: *A-G v Boultbee* (1794) 2 Ves 380 at 385; *Re Bishop Gore's Charities* (1843) 2 Con & Law 411.

8 *Riddle v Emerson* (1682) 1 Vern 108; *Hutchins v Lee* (1737) 1 Atk 447; *Knight v Pechey* (1759) 1 Dick 327; *Stickland v Aldridge* (1804) 9 Ves 516; *Morton v Tewart* (1842) 2 Y & C Ch Cas 67; *Childers v Childers* (1857)

1 De G & J 482, CA; *Davies v Otty* (1864) 2 De GJ & Sm 238; *Davies v Otty (No 2)* (1865) 35 Beav 208; *Haigh v Kaye* (1872) 7 Ch App 469; *Booth v Turle* (1873) LR 16 Eq 182; *Re Duke of Marlborough, Davis v Whitehead* [1894] 2 Ch 133; *Rochefoucauld v Boustead* [1897] 1 Ch 196 at 206, CA; *Bannister v Bannister* [1948] 2 All ER 133, CA. Cf EQUITY vol 16(2) (Reissue) paras 564, 851.

9 *Dale v Hamilton* (1846) 5 Hare 369; and see PARTNERSHIP vol 35 (Reissue) para 37.

10 *Gardner v Rowe* (1828) 5 Russ 258. The trust may be liable to be avoided under the Insolvency Act 1986: see BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 653 et seq.

11 *Gee v Liddell* (1866) 35 Beav 621.

12 *Pary v Juxon* (1669) 3 Rep Ch 38; *Lady Bellasis v Compton and Frankland* (1693) 2 Vern 294; *Bayley v Boulcott* (1828) 4 Russ 345; *Benbow v Townsend* (1833) 1 My & K 506; *M'Fadden v Jenkyns* (1842) 1 Ph 153 at 157 per Lord Lyndhurst LC; *Peckham v Taylor* (1862) 31 Beav 250; *Grant v Grant* (1865) 34 Beav 623 at 625 per Romilly MR; *Jones v Lock* (1865) 1 Ch App 25; *Lyell v Kennedy, Kennedy v Lyell* (1889) 14 App Cas 437 at 457, HL, per Lord Selborne; *Re Kayford Ltd* [1975] 1 All ER 604, [1975] 1 WLR 279; *Paul v Constance* [1977] 1 All ER 195, [1977] 1 WLR 527, CA. See also para 647 post; and DEEDS AND OTHER INSTRUMENTS vol 13 (2007 Reissue) para 24.

13 *Kilpin v Kilpin* (1834) 1 My & K 520; *M'Fadden v Jenkyns* (1842) 1 Ph 153; *Jones v Lock* (1865) 1 Ch App 25; *Grey v IRC* [1958] Ch 690 at 708, [1958] 2 All ER 428 at 432, CA, per Evershed MR, and at 719 and 440 per Morris LJ (affd [1960] AC 1, [1959] 3 All ER 603, HL).

14 Law of Property Act 1925 s 53(1)(c). See *Neville v Wilson* [1997] Ch 144, [1996] 3 All ER 171, CA (where the effect of a disposition of an equitable interest is to create a constructive or implied trust, the agreement for such a disposition does not have to be in writing, as the Law of Property Act 1925 s 53(2) applies in such circumstances), applying the view of Lord Radcliffe in *Oughtred v IRC* [1960] AC 206, [1959] 3 All ER 623, HL. As to dispositions to a fiduciary see *Re Tyler's Fund Trusts, Graves v King* [1967] 3 All ER 389, [1967] 1 WLR 1269; and as to disclaimer see *Re Paradise Motor Co Ltd* [1968] 2 All ER 625, [1968] 1 WLR 1125, CA. The nomination of a beneficiary under a life assurance policy, whether or not the nominee was under a duty to hold the funds on trust, does not involve a disposition under the Law of Property Act 1925 s 53: *Gold v Hill* [1999] 1 FLR 54. In relation to nominations under a staff pension fund see *Re Danish Bacon Co Ltd Staff Pension Fund, Christensen v Arnett* [1971] 1 All ER 486, [1971] 1 WLR 248. See also *Baird v Baird* [1990] 2 AC 548, [1990] 2 All ER 300, PC. In order for a document to effect a disposition, it must be unconditional: see *Clark v Chandler* [2002] EWCA Civ 1249, [2003] 1 P & CR 239, [2002] All ER (D) 246 (Jun). The party making the declaration must intend to create a new or different trust and not merely state the existing position: see *Hurst v Supperstone* [2005] EWHC 1309 (Ch), [2006] 1 FLR 1245.

15 *Grey v IRC* [1960] AC 1, [1959] 3 All ER 603, HL. See also *Oughtred v IRC* [1960] AC 206, [1959] 3 All ER 623, HL; *Re Holt's Settlement, Wilson v Holt* [1969] 1 Ch 100 at 116, [1968] 1 All ER 470 at 476; *DHN Food Distributors Ltd v Tower Hamlets London Borough Council* [1976] 3 All ER 462, [1976] 1 WLR 852, CA (see especially at 472 and 865 per Goff LJ); *Chinn v Collins (Inspector of Taxes)* [1981] AC 533 at 548, [1981] 1 All ER 189 at 195, HL, per Lord Wilberforce; *Crowden v Aldridge* [1993] 3 All ER 603, [1993] 1 WLR 433. If, however, T holds property on trust for A, and T at A's request transfers the legal title to X, then A's request need not be in writing to dispose of his equitable interest: *Vandervell v IRC* [1967] 2 AC 291, [1967] 1 All ER 1, HL.

16 *Re Lashmar, Moody v Penfold* [1891] 1 Ch 258, CA; *Grainge v Wilberforce* (1889) 5 TLR 436; *Grey v IRC* [1960] AC 1, [1959] 3 All ER 603, HL.

17 *Onslow v Wallis* (1849) 1 Mac & G 506.

18 See the Wills Act 1837 s 9 (as substituted); and WILLS vol 50 (2005 Reissue) para 351 et seq. As to the ineffectiveness as a declaration of trust of words importing an intention to make a testamentary disposition see para 650 note 4 post.

645. Declaration of trust without transfer of property. A person or corporation capable of disposing of property or of an interest in it by way of trust[1] may at any time create a trust by a declaration made in the proper legal mode[2] to the effect that specific property is thenceforth to be held by him or it in trust for a specified person or object[3].

1 As to who may create a trust see para 606 ante.

2 *Wright v Lord Cadogan* (1764) 2 Eden 239 (affd (1766) 1 Bro Parl Cas 486, HL); *Middleton v Pollock, ex p Elliott* (1876) 2 ChD 104; *New, Prance and Garrard's Trustee v Hunting* [1897] 2 QB 19, CA. See also *Re Cozens, Green v Brisley* [1913] 2 Ch 478 at 484. As to the proper legal mode see para 644 ante. If a person adds money of his own to a fund which he holds in trust and declares that he has done so, it is a valid declaration of trust of that money: *Thorpe v Owen* (1842) 5 Beav 224; *Gray v Gray* (1852) 2 Sim NS 273.

3 An effectual declaration of trust may be made by entries in books of account and memoranda: *Salter v Cavanagh* (1838) 1 Dr & Wal 668 at 686; *Stapleton v Stapleton* (1844) 14 Sim 186; *Vandenberg v Palmer* (1858) 4 K & J 204; *Evans v Jennings* (1858) 4 Jur NS 551; *Re Glover* (1862) 2 John & H 186; *Brewster v Prior* (1886) 55 LT 771; *Patrick v Simpson* (1889) 24 QBD 128; *Re Gompertz Estate, Parker v Gompertz* (1910) 55 Sol Jo 76; but see *Morgan v Larivière* (1875) LR 7 HL 423; *Re Rowe, Jacobs v Hind* (1889) 58 LJ Ch 703, CA; *Re Cozens, Green v Brisley* [1913] 2 Ch 478. A power of attorney may amount to a declaration of trust: *Ex p Pye, ex p Dubost* (1811) 18 Ves 140 at 150; *Airey v Hall* (1856) 3 Sm & G 315. The approval of an incomplete draft of a trust instrument does not create a binding trust: *Re Sykes's Trusts* (1862) 2 John & H 415.

646. Declaration of trust as bill of sale. A written declaration of trust of personal chattels without transfer which otherwise falls within the terms of the Bills of Sale Act 1878 is a bill of sale within the meaning of that Act[1].

1 See the Bills of Sale Act 1878 s 4; and BILLS OF SALE vol 4(1) (2002 Reissue) paras 619, 623–624.

647. Declaration of trust on transfer of property. On a transfer of property, or of an interest in property, which of itself would vest the beneficial ownership of the property or interest in the transferee, the declaration of trust may be made by the instrument of transfer, if any, or by another instrument taking effect contemporaneously with the instrument of transfer, or, in the case of a transfer of personal estate inter vivos, by a contemporaneous oral declaration[1].

1 *Wright v Lord Cadogan* (1764) 2 Eden 239 at 256 per Lord Northington LC; *Childers v Childers* (1857) 1 De G & J 482, CA; *Re Bellasis' Trust* (1871) LR 12 Eq 218. An oral trust inter vivos may attach to a testamentary gift: *Nab v Nab* (1718) 10 Mod Rep 404; and see para 672 et seq post. As to an oral trust attaching to the gift of a promissory note and to a deposit of title deeds see *Lloyd v Chune* (1860) 2 Giff 441; *Arthur v Clarkson* (1866) 35 Beav 458; *Re Caplen's Estate, Bulbeck v Silvester* (1876) 45 LJ Ch 280; *Re Richards, Shenstone v Brock* (1887) 36 ChD 541. Cf *Re Whitaker* (1889) 42 ChD 119 at 125, CA, per Cotton LJ.

648. Declaration subsequent to transfer. Where a transfer of property is made to a person in such a manner or in such circumstances that he is thereby constituted not the absolute owner but a trustee of the property for the transferor, the transferor may at any time afterwards declare a specific trust of the property[1]. If the transferor subsequently declares that the trustee is to hold the property on trust for a third person, this disposition by the transferor of his subsisting equitable interest must be in writing[2].

1 *Crook v Brooking* (1688) 2 Vern 50, 106; *Forster v Hale* (1798) 3 Ves 696 at 707 per Arden MR. See para 644 ante.

2 *Grey v IRC* [1960] AC 1, [1959] 3 All ER 603, HL; *Re Tyler's Fund Trusts, Graves v King* [1967] 3 All ER 389 at 392, [1967] 1 WLR 1269 at 1275 (where it was held that the writing need not comprise the particulars of the trust). The decision in *Re Vandervell's Trusts (No 2), White v Vandervell Trustees Ltd* [1974] Ch 269, [1974] 3 All ER 205, CA (despite certain remarks of Lord Denning MR) is not thought to require writing in the case of a resulting trust for the transferor. In that case, an option to purchase shares was held on resulting trust for V until V or the trustee declared new trusts. The declaration of new trusts by the trustee was held not to require writing as it was not a disposition of V's subsisting equitable interest but the creation of a new trust extinguishing V's interest. If V had declared the new trusts by directing the trustees to hold on new trusts, then it seems that this would have been a disposition of V's interest requiring writing: see *Grey v IRC* supra.

B. CERTAINTY OF INTENTION

649. Certainty of language. A trust can be created by any language which is clear enough to show an intention to create it[1]. If the word 'trust' is used it will normally be a strong indicator that a trust was intended[2]. A trust will not be imposed where the language of the creator expressly negatives any intention to impose a trust[3].

1 *Re Williams, Williams v Williams* [1897] 2 Ch 12 at 18–19, CA, per Lindley LJ; *Re Kayford Ltd* [1975] 1 All ER 604, [1975] 1 WLR 279; *Re English and American Insurance Co Ltd* [1994] 1 BCLC 649.

'Certainty of intention is in many ways the most important certainty. If the court is satisfied that the alleged declarant had the requisite intention it will strive to validate it': *Tanna v Tanna* [2001] All ER (D) 333 (May) per Sir Andrew Morritt V-C.

See also *Duggan v Governor of Full Sutton Prison* [2004] EWCA Civ 78, [2004] 2 All ER 966, [2004] 1 WLR 1010 (held that nothing in the language of the Prison Rules 1999, SI 1999/728 (see PRISONS vol 36(2) (Reissue) para 567) should lead to the imposition of a trust on cash taken from a prisoner under those rules when it came into the hands of the prison governor).

As to charitable trusts see CHARITIES.

2 *Bath and North East Somerset Council v A-G* [2002] EWHC 1623 (Ch) at [22]–[25], 5 ITELR 274 at [22]–[25] per Hart J.

3 *Re Pitt Rivers, Scott v Pitt Rivers* [1902] 1 Ch 403, CA; cf *Re Falkiner, Mead v Smith* [1924] 1 Ch 88.

650. Imperative declaration. In declaring a trust the word usually and technically employed is 'trust'[1]. A trust may, however, be created by the general tenor of an instrument without using the word 'trust'[2]. Where the creator of the trust is to be the trustee, any expressions will suffice from which it is clear that the person using them considers himself a trustee and adopts that character[3]. A promise or an expression of intention to transfer property, or to give an imperfect gift, is not effectual as a declaration of trust[4]. In case of doubt the settlor's contemporaneous and subsequent acts may be looked at[5].

1 *Cave v Mackenzie* (1877) 46 LJ Ch 564 at 567; *Viscount Hill v Dowager Viscountess Hill* [1897] 1 QB 483, CA. As to the mode of declaration see para 644 et seq ante.

2 *Lewis v Madocks* (1803) 8 Ves 150; *Cary v Cary* (1804) 2 Sch & Lef 173; *Ex p Pye, ex p Dubost* (1811) 18 Ves 140; *King v Denison* (1813) 1 Ves & B 260 at 273 per Lord Eldon LC; *Rycroft v Christy* (1840) 3 Beav 238; *Dillon v Cruise* (1840) 3 I Eq R 70 at 83; *Crockett v Crockett* (1848) 2 Ph 553; *Kekewich v Manning* (1851) 1 De GM & G 176 at 194; *Page v Cox* (1852) 10 Hare 163 at 168–169 per Turner V-C; *Salusbury v Denton* (1857) 3 K & J 529; *Jacquet v Jacquet* (1859) 27 Beav 332; *Grant v Grant* (1865) 34 Beav 623 at 625 per Romilly MR; *Gee v Liddell* (1866) 35 Beav 621; *Richardson v Richardson* (1867) LR 3 Eq 686; *Bird v Harris* (1870) LR 9 Eq 204; *Morgan v Malleson* (1870) LR 10 Eq 475; *Armstrong v Timperon* (1871) 24 LT 275; *Baddeley v Baddeley* (1878) 9 ChD 113; *Fox v Hawks, Hawks v Fox* (1879) 13 ChD 822; *Talbot v O'Sullivan* (1880) LR 6 IR 302; *Re Flavell, Murray v Flavell* (1883) 25 ChD 89, CA. See also *Re Endacott, Corpe v Endacott* [1960] Ch 232 at 241, [1959] 3 All ER 562 at 564, CA (where in a gift by will the words 'for the purpose of providing some useful memorial to myself' were considered to have been intended to impose an obligation in the nature of a trust). A mere direction to pay dividends may be sufficient to create a trust: *Bentley v Mackay* (1851) 15 Beav 12. See also *Hunter v Moss* [1994] 3 All ER 215, [1994] 1 WLR 452, CA; and para 653 post.

3 See *Paul v Constance* [1977] 1 All ER 195, [1977] 1 WLR 527, CA (where a statement by a man to his mistress that money in his deposit account was as much hers as his constituted an express declaration of trust), applied in *Rowe v Prance* [1999] 2 FLR 787, [1999] Fam Law 623 (continued assurances as to joint ownership of boat sufficient to create express trust). See also *Dipple v Corles* (1853) 11 Hare 183 at 184 per Wood V-C; *Re Bankhead's Trust* (1856) 2 K & J 560; *Richards v Delbridge* (1874) LR 18 Eq 11 at 14; *Heartley v Nicholson* (1875) LR 19 Eq 233; *Re Kayford Ltd* [1975] 1 All ER 604, [1975] 1 WLR 279 (trust of customers' money paid in advance for goods); *Re Chelsea Cloisters Ltd* (1980) 41 P & CR 98, CA (trust of tenants' damage deposit money); *Re Eastern Capital Futures Ltd (in liquidation)* [1989] BCLC 371; *Re Goldcorp Exchange Ltd (in receivership)* [1995] 1 AC 74, [1994] 2 All ER 806, PC. See also *Re English and American Insurance Co Ltd* [1994] 1 BCLC 649; *Re Stapylton Fletcher Ltd (in administrative receivership), Re Ellis Son & Vidler Ltd (in administrative receivership)* [1995] 1 All ER 192, [1994] 1 WLR 1181 (both stressing the significance of an obligation of segregation). See further *Re Lewis's of Leicester Ltd* [1995] 1 BCLC 428, [1995] BCC 514; *Re Branston & Gothard Ltd* [1999] 1 All ER (Comm) 289, [1999] BPIR 466. Contrast *Re Multi Guarantee Co Ltd* [1987] BCLC 257, CA; *Re Holiday Promotions (Europe) Ltd* [1996] 2 BCLC 618, [1997] BCC 671; *Re Challoner Club Ltd (in liquidation)* (1997) Times, 4 November; *Re B (child: property transfer)* [1999] 3 FCR 266, [1999] 2 FLR 418, CA (an order under the Guardianship of Minors Act 1971 transferring property from the father to the mother 'for the benefit of the child' held not to create a trust in favour of the child). It seems that payments added to a cheque or credit card voucher in settlement of a restaurant bill by way of tip are not held by the restaurateur on trust: *Nerva v RL & G Ltd* [1995] IRLR 200; but contrast *Shabinsky v Horwitz* (1973) 32 DLR (3d) 318, Ont HC. See also *Burton v FX Music Ltd* [1999] EMLR 826.

4 *Dipple v Corles* (1853) 11 Hare 183; *Forbes v Forbes* (1857) 3 Jur NS 1206; *Penfold v Mould* (1867) LR 4 Eq 562; *Re Stallon, Stallon v Stallon* (1907) 51 Sol Jo 626; *O'Flaherty v Browne* [1907] 2 IR 416, CA. See also para 662 post; and GIFTS vol 20(1) (Reissue) paras 67, 69. Although equity will not aid a volunteer, it will

not strive officiously to defeat a gift: *T Choithram International SA v Pagarani* [2001] 2 All ER 492 at 501, [2001] 1 WLR 1 at 11, PC (the deceased had executed a trust deed establishing a charitable foundation of which he was a trustee; immediately afterwards he stated orally that he was giving all his wealth to the foundation and gave instructions for a transfer to the trust but died without executing any share transfers; the Privy Council held that his words of gift had to be given their only possible meaning in this context; the foundation had no legal existence apart from the trust declared by the foundation trust deed; therefore the words of apparently outright gift had to be construed as a gift on trust). See para 662 post.

Words which imply an intention to make a revocable or ambulatory or testamentary disposition do not suffice: *Gason v Rich* (1886) 19 LR Ir 391, Ir CA; *Towers v Hogan* (1889) 23 LR Ir 53; *Re Cozens, Green v Brisley* [1913] 2 Ch 478. Cf para 644 text and note 18 ante.

5 *Bentley v Mackay* (1851) 15 Beav 12 at 19. See also *Shephard v Cartwright* [1955] AC 431, [1954] 3 All ER 649, HL; the Civil Evidence Act 1995; and EVIDENCE.

651. Precatory words. A trust may be imposed by precatory words, that is words indicating a request, entreaty, desire, hope, confidence and the like as to the disposal of the property concerned[1]. Precatory words are considered by the court normally in connection with some testamentary disposition, but may have to be considered in connection with a transaction[2] or deed inter vivos. At one time the court treated precatory words as prima facie imposing a trust even when following a gift in terms absolute[3]. Towards the end of the nineteenth century, however, decisions began to take the opposite direction[4]. The question whether precatory words do or do not impose a trust is now to be decided having regard to the following rules of construction:

(1) precatory words, such as 'request', which in their ordinary meaning are not imperative, are prima facie to be given their ordinary meaning[5];

(2) in each case the court must be guided by the intention to be gathered from the particular instrument as a whole rather than by the particular words in which the request etc is expressed[6], but having regard to any surrounding circumstances which may legitimately be taken into consideration[7]; and this is so notwithstanding that there may be a decision to the contrary effect upon words more or less similar[8];

(3) a gift which is in terms absolute is not to be cut down to a trust estate or to a life estate with a trust for disposal thereafter by mere precatory words[9], unless the will read as a whole shows an intention to impose an obligation[10]; there is a rebuttable presumption that, where a testator makes a gift to his spouse and then to his children, there is an absolute gift in favour of the spouse in order to avoid the creation of an unintended life interest[11]; and the fact that by a codicil precatory words are attached to a gift made by a will in terms which confer an absolute interest on the donee may be a circumstance requiring the court to depart from the ordinary meaning of the precatory words[12];

(4) if the circumstances so require, the use of the word 'trust' or an express declaration of trust in a will is construed as merely precatory or recommendatory[13].

1 As to precatory trusts see also para 627 ante.

2 See *Viscount Hill v Dowager Viscountess Hill* [1897] 1 QB 483, CA (where the precatory words relied on were uttered orally in connection with the delivery of family jewels, and the danger of giving an obligatory force to words in such circumstances is indicated at 487 by Lord Esher MR).

3 See e g *Malim v Keighley* (1795) 2 Ves 529; *Gully v Cregoe* (1857) 24 Beav 185; *Curnick v Tucker* (1874) LR 17 Eq 320.

4 See *Lambe v Eames* (1871) 6 Ch App 597; *Mussoorie Bank Ltd v Raynor* (1882) 7 App Cas 321, PC; *Re Adams and Kensington Vestry* (1884) 27 ChD 394, CA; *Re Diggles, Gregory v Edmondson* (1888) 39 ChD 253, CA; *Re Hamilton, Trench v Hamilton* [1895] 2 Ch 370, CA; *Viscount Hill v Dowager Viscountess Hill* [1897] 1 QB 483, CA; *Re Williams, Williams v Williams* [1897] 2 Ch 12, CA; *Comiskey v Bowring-Hanbury* [1905] AC 84, HL; *Re Conolly, Conolly v Conolly* [1910] 1 Ch 219; *Re Atkinson, Atkinson v Atkinson* (1911) 103 LT 860, CA.

5 *Viscount Hill v Dowager Viscountess Hill* [1897] 1 QB 483 at 486, CA, per Lord Esher MR. See also the cases cited in note 4 supra.

6 *Re Williams, Williams v Williams* [1897] 2 Ch 12 at 14, CA, per Romer J. In *Re Steele's Will Trusts, National Provincial Bank Ltd v Steele* [1948] Ch 603, [1948] 2 All ER 193, where the draftsman of a will had used the particular wording held to create a trust in *Shelley v Shelley* (1868) LR 6 Eq 540, Wynn-Parry J held that an intention to create a trust had been manifested.

7 *Viscount Hill v Dowager Viscountess Hill* [1897] 1 QB 483 at 493, CA, per Chitty LJ. The Administration of Justice Act 1982 s 21 has considerably relaxed the rules relating to the admission of extrinsic evidence in the interpretation of wills: see WILLS vol 50 (2005 Reissue) para 481 et seq. As to the general rules of interpretation of deeds and non-testamentary instruments see DEEDS AND OTHER INSTRUMENTS vol 13 (2007 Reissue) para 164 et seq.

8 *Re Hamilton, Trench v Hamilton* [1895] 2 Ch 370 at 373, CA, per Lindley LJ; cf *Re Oldfield, Oldfield v Oldfield* [1904] 1 Ch 549, CA.

9 See *Re Conolly, Conolly v Conolly* [1910] 1 Ch 219 at 221–222; and the other cases cited in note 4 supra. See also *Re Johnson, Public Trustee v Calvert* [1939] 2 All ER 458. As to borderline cases see *Re Green, Shears v Lloyds Bank Ltd* [1935] WN 151.

10 *Re Williams, Williams v All Souls, Hastings, Parochial Church Council* [1933] Ch 244 at 253 per Farwell J.

11 See the Administration of Justice Act 1982 s 22; and WILLS vol 50 (2005 Reissue) para 654.

12 *Re Burley, Alexander v Burley* [1910] 1 Ch 215.

13 *Hughes v Evans* (1843) 13 Sim 496; *Williams v Roberts* (1857) 4 Jur NS 18; *Quayle v Davidson* (1858) 12 Moo PCC 268; *Clarke v Hilton* (1866) LR 2 Eq 810; *Irvine v Sullivan* (1869) LR 8 Eq 673; *Te Teira Te Paea v Te Roera Tareha* [1902] AC 56, PC. Cf *Re Blackwood, Graham v Hampson* [1953] NI 32, NI CA. If the context so requires, even the express constitution of a person as trustee may be disregarded: *Morrin v Morrin* (1886) 19 LR Ir 37.

652. Desire as to employment of a person. A direction or desire or recommendation in a will that a particular person is to be employed as agent or in some other capacity in connection with the testator's estate does not by itself create a trust in his favour[1].

1 *Beckford v Beckford* (1783) 4 Bro Parl Cas 38; *Shaw v Lawless* (1838) 5 Cl & Fin 129, HL; *Finden v Stephens* (1846) 2 Ph 142; *Foster v Elsley* (1881) 19 ChD 518.

C. CERTAINTY OF SUBJECT MATTER

653. Necessity for certainty of subject matter. In order to create a valid trust, the property to be affected by the trust must be either expressly designated[1] or so defined that it is capable of being ascertained[2]; otherwise the trust is void for uncertainty[3]. A trust of the residue of a fund after a gift out of it of an undefined amount for an object which for any cause fails will be an effectual trust of the whole fund[4].

In the case of a trust of intangible assets, such as a purported trust of a specific sum of money forming part of a larger credit balance in a particular bank account, the question of certainty depends not on the application of any immutable principle based on the requirements of a need for segregation or appropriation, but rather on whether, immediately after the purported declaration of trust, the court could, if asked, make an order for the execution of the purported trust[5]. With regard to the segregation of funds, it seems that a requirement to keep moneys separate is normally an indicator that they are impressed with a trust and that the absence of such a requirement, if there are no other indicators of a trust, normally negatives it[6]. The fact that a transaction contemplates the mingling of funds is not, however, necessarily fatal to a trust[7]. The courts are slow to introduce trusts into everyday commercial transactions[8].

The beneficial interests to be taken by the beneficiaries must also be certain. If T devises four houses to trustees to convey to A whichever one he chooses and to convey the others to B, then, if A predeceases T, the trust in B's favour is void for uncertainty[9]. The trust would have been valid if the houses had been devised to the trustees upon discretionary trusts to convey such house as they chose to A and three houses to B[10].

The law used to be clear that, if property were bequeathed to X to pass on in his will whatever was left at his death to Y, this would be treated as an absolute gift to X[11].

Where, however, X has actually agreed with the testator to carry out his intention under a secret trust or by way of mutual wills, it may now be that on X's death a trust will attach to whatever property of the testator X had at his death, and during his lifetime X will be under a fiduciary obligation not to dispose of the testator's property with wilful intent to prevent Y receiving the property[12].

1 *Sprange v Barnard* (1789) 2 Bro CC 585 at 587–588; *Palmer v Simmonds* (1854) 2 Drew 221; *Re London Wine (Shippers) Ltd* (1975) 126 NLJ 977. See also *Re Goldcorp Exchange Ltd (in receivership)* [1995] 1 AC 74, [1994] 2 All ER 806, PC; *Re Stapylton Fletcher Ltd* [1995] 1 All ER 192, [1994] 1 WLR 1181. In order to establish a trust there must be identifiable trust property: *Westdeutsche Landesbank Girozentrale v Islington London Borough Council* [1996] AC 669 at 705, [1996] 2 All ER 961 at 988, HL, per Lord Browne-Wilkinson.

2 *Stead v Mellor* (1877) 5 ChD 225; *Re Reis, ex p Clough* [1904] 2 KB 769, CA. A trust of dividends for a period which is incapable of being ascertained cannot be upheld: *Re Moore, Prior v Moore* [1901] 1 Ch 936; distinguished in *Muir v IRC* [1966] 3 All ER 38, [1966] 1 WLR 1269, CA. In *Re Golay, Morris v Bridgewater* [1965] 2 All ER 660, [1965] 1 WLR 969, a bequest of 'a reasonable income' was held sufficiently certain. Where a fund is given in trust as to a part (the amount of which is capable of being ascertained) for an object which fails, and as to the remainder for another object, the gift is held to fail as to the part but to be good as to the remainder: *Mitford v Reynolds* (1842) 1 Ph 185; *Re Vaughan, Vaughan v Thomas* (1886) 33 ChD 187. As to charitable trusts see CHARITIES.

3 *Re Moore, Prior v Moore* [1901] 1 Ch 936.

4 *Fisk v A-G* (1867) LR 4 Eq 521; *Hunter v Bullock* (1872) LR 14 Eq 45; *Dawson v Small* (1874) LR 18 Eq 114; *Re Williams* (1877) 5 ChD 735; *Re Birkett* (1878) 9 ChD 576; *Champney v Davy* (1879) 11 ChD 949; *Re Rogerson, Bird v Lee* [1901] 1 Ch 715; *Kelly v A-G* [1917] 1 IR 183. See further CHARITIES vol 5(2) (2001 Reissue) para 79.

5 *Hunter v Moss* [1994] 3 All ER 215, [1994] 1 WLR 452, CA (where *Re London Wine (Shippers) Ltd* (1975) 126 NLJ 977 (see note 1 supra) was accepted as correct but distinguished). The decision in *Hunter v Moss* supra was necessarily followed in *Re Harvard Securities Ltd (in liquidation)* [1998] BCC 567.

6 See *Henry v Hammond* [1913] 2 KB 515.

7 *R v Clowes (No 2)* [1994] 2 All ER 316, CA; *Re English & American Insurance Co Ltd* [1994] 1 BCLC 649.

8 See *Neste Oy v Lloyds Bank plc* [1983] 2 Lloyd's Rep 658 at 665 per Bingham J; cited with approval in *R v Clowes (No 2)* [1994] 2 All ER 316, CA. See also *Re ILG Travel Ltd (in administration)* [1995] 2 BCLC 128, [1996] BCC 21, where the agreement was held to take effect as an equitable charge.

9 *Boyce v Boyce* (1849) 16 Sim 476. Cf *Re Golay, Morris v Bridgewater* [1965] 2 All ER 660, [1965] 1 WLR 969; and note 2 supra.

10 Cf *Re Isaacs, Isaacs v Isaacs* (1948) 92 Sol Jo 336; *Re Barlow's Will Trusts* [1979] 1 All ER 296, [1979] 1 WLR 278.

11 *Sprange v Barnard* (1789) 2 Bro CC 585.

12 See *Ottaway v Norman* [1972] Ch 698, [1971] 3 All ER 1325; *Re Cleaver, Cleaver v Insley* [1981] 2 All ER 1018, [1981] 1 WLR 939; *Healey v Brown* [2002] EWHC 1405 (Ch), [2002] WTLR 849, 4 ITELR 894. As to mutual wills see para 692 post; and WILLS vol 50 (2005 Reissue) para 308. As to secret trusts see paras 672–677 post.

654. No trusts of future property. There cannot be a trust of future property, as that would be a trust of nothing at all. It is immaterial whether the settlor makes a purported voluntary assignment of future property to trustees on declared trusts or whether he purports to declare that he himself is holding future property on certain trusts[1]. If the future property subsequently materialises into existing property, the intended beneficiaries have no enforceable claim to it. If, however, the settlor received valuable consideration for creating a trust of future property, then, once the future property materialises into existing property, equity treats the settlor as holding the property on trust for the beneficiaries[2]. As he received consideration, his conscience is bound so that, on becoming at last entitled to specific property, he may not claim to retain it for himself[3]. If the settlor covenanted to create a trust of the future property, a beneficiary may be able to enforce it, even in the absence of consideration, when the future property materialises into existing property, under the Contracts (Rights of Third Parties) Act 1999[4].

Future property includes the interest which a person hopes to take under the will or intestacy of a living person[5] or under the exercise of a special power of appointment[6], future royalties from completed works[7], future book debts[8], freight not yet earned[9], copyright in songs not yet written[10], dividends not yet declared[11], the proceeds of any future sale of specific property[12] and damages which may be recovered in pending litigation[13]. It does not include existing vested or contingent rights to obtain property at some future time[14], for example B's interest where property is settled on A for life, remainder to B if he attains 35 years and is alive on A's death.

1 *Re Ellenborough, Towry Law v Burne* [1903] 1 Ch 697; *Re Brooks' Settlement Trusts, Lloyds Bank Ltd v Tillard* [1939] Ch 993, [1939] 3 All ER 920; *Williams v IRC* [1965] NZLR 395, NZ CA; *Norman v Federal Comr of Taxation* (1963) 109 CLR 9, [1964] ALR 131, Aust HC.
2 *Holroyd v Marshall* (1862) 10 HL Cas 191; *Tailby v Official Receiver* (1888) 13 App Cas 523, HL; *Re Lind, Industrials Finance Syndicate Ltd v Lind* [1915] 2 Ch 345, CA. See also PERSONAL PROPERTY vol 35 (Reissue) para 1266.
3 *Re Ellenborough, Towry Law v Burne* [1903] 1 Ch 697 at 700. See also EQUITY vol 16(2) (Reissue) para 645.
4 See paras 661–662 post; and CONTRACT.
5 *Re Lind, Industrials Finance Syndicate Ltd v Lind* [1915] 2 Ch 345, CA; *Wu Koon Tai v Wu Yau Loi* [1997] AC 179, [1996] 3 WLR 778, PC.
6 *Re Brooks' Settlement Trusts, Lloyds Bank Ltd v Tillard* [1939] Ch 993, [1939] 3 All ER 920.
7 *Re Trytel, ex p Trustee of Property of Bankrupt v Performing Right Society Ltd and Soundtrac Film Co Ltd* [1952] 2 TLR 32. See also *Performing Right Society Ltd v Rowland* [1997] 3 All ER 336.
8 *Tailby v Official Receiver* (1888) 13 App Cas 523, HL.
9 *Lindsay v Gibbs* (1856) 22 Beav 522.
10 *Performing Right Society Ltd v London Theatre of Varieties Ltd* [1924] AC 1, HL.
11 *Norman v Federal Comr of Taxation* (1963) 109 CLR 9, [1964] ALR 131, Aust HC.
12 *Re Cook's Settlement Trusts, Royal Exchange Assurance v Cook* [1965] Ch 902, [1964] 3 All ER 898.
13 *Glegg v Bromley* [1912] 3 KB 474, CA.
14 *Re Midleton's Will Trusts, Whitehead v Earl Midleton* [1969] 1 Ch 600 at 607, [1967] 2 All ER 834 at 837; *Re Ralli's Will Trusts, Re Ralli's Marriage Settlement, Calvocoressi v Rodocanachi* [1964] Ch 288, [1963] 3 All ER 940.

D. CERTAINTY OF OBJECTS

655. Necessity for certainty of objects. The objects or persons to be benefited by a trust must be expressly designated[1] or so defined that they are capable of being ascertained[2], except where the trust is for charitable purposes[3]. Otherwise the trust is void for uncertainty[4], and there is a resulting trust[5].

If a trust requires division between all the members of a class, for example in equal shares, it will be void for uncertainty if it is not possible to provide a complete list of the beneficiaries, as the size of each equal share cannot be ascertained unless the precise number of beneficiaries is known[6]. Where the equal division is of capital and is to take place at some future date, it will be necessary at the date of commencement of the trust[7] to determine whether or not the description of the beneficiaries (for example, 'old friends', 'business associates', 'customers of my company', 'members of my family') is void for uncertainty.

If a trust accords trustees a discretion to select among a class of beneficiaries, it no longer fails if a list of every member of the class cannot be drawn up[8]; it suffices if it is possible to predicate of any proposed beneficiary that he is or is not a member of the class. If there remains a number of persons who cannot be proved to be inside or outside the class, for example old friends of the testator, then the trust fails[9]. It has, however, been held that, if a trust is construed as conferring individual gifts to persons qualifying under some condition precedent, then it is valid if one or more persons undoubtedly qualify, even though the conceptual uncertainty makes it impossible to determine whether other persons qualify[10].

In a case of conceptual uncertainty it seems unlikely that the uncertainty can be cured by conferring a residual power upon the trustees to determine conclusively any doubts as to who are members of the beneficial class[11].

There is on the one hand no rule of law that a testator cannot delegate the making of his will to his trustees since this would prevent the use of wide powers of appointment in wills. On the other hand there is a rule that a gift which is expressed in language too vague to be enforced cannot be rescued by giving the executor a power of choice[12].

1 *Sprange v Barnard* (1789) 2 Bro CC 585 at 587–588; *Morice v Bishop of Durham* (1805) 10 Ves 522 at 542–543; *Re Hetley, Hetley v Hetley* [1902] 2 Ch 866; *OT Computers Ltd (in administration) v First National Tricity Finance Ltd* [2003] EWHC 1010 (Ch), [2003] All ER (D) 118 (May).

2 *Wright v Atkyns* (1823) Turn & R 143 at 158–159 per Lord Eldon LC; *Stead v Mellor* (1877) 5 ChD 225; *Re Endacott, Corpe v Endacott* [1960] Ch 232, [1959] 3 All ER 562, CA; *McPhail v Doulton* [1971] AC 424, [1970] 2 All ER 228, HL; *Re Baden's Deed Trusts (No 2)* [1973] Ch 9, [1972] 2 All ER 1304, CA; *Re Barlow's Will Trusts* [1979] 1 All ER 296, [1979] 1 WLR 278. As to where a trust is created by words of reference to another declared trust see *Hindle v Taylor* (1855) 5 De GM & G 577; *Boyd v Boyd* (1863) 9 LT 166; *Heasman v Pearse* (1870) LR 11 Eq 522 at 538; *Cooper v Macdonald* (1873) LR 16 Eq 258; *Sweeting v Prideaux* (1876) 2 ChD 413; *Re Berners, Berners v Calvert* (1892) 67 LT 849; *Re Beaumont, Bradshaw v Packer* [1913] 1 Ch 325; *Re Fraser, Ind v Fraser* [1913] 2 Ch 224; *Re Wood, Wodehouse v Wood* [1913] 2 Ch 574, CA; *Re Arnell, Re Edwards, Prickett v Prickett* [1924] 1 Ch 473. Where a person is to forfeit his interest under a trust if a condition subsequent is satisfied, the condition is void unless he can tell distinctly and precisely what exactly is to occasion forfeiture: *Clavering v Ellison* (1859) 7 HL Cas 707 at 725; *Blathwayt v Baron Cawley* [1976] AC 397, [1975] 3 All ER 625, HL; *Re Tepper's Will Trusts, Kramer v Ruda* [1987] Ch 358, [1987] 1 All ER 970. The requirement of certainty is stricter for a condition subsequent than for a condition precedent: *Re Allen, Faith v Allen* [1953] Ch 810, [1953] 2 All ER 898, CA; *Blathwayt v Baron Cawley* supra; *Re Barlow's Will Trusts* [1979] 1 All ER 296, [1979] 1 WLR 278; *Re Waring's Will Trusts, Harnett v Calvert* [1985] NI 105; *Re Tepper's Will Trusts, Kramer v Ruda* supra. For criticism of the distinction see the judgment of Denning LJ in *Re Tuck's Settlement Trusts, Public Trustee v Tuck* [1978] Ch 49 at 60, [1978] 1 All ER 1047 at 1051, CA.

3 As to the exception in the case of trusts for charitable purposes see para 608 ante; and CHARITIES vol 5(2) (2001 Reissue) para 97 et seq.

4 *Morice v Bishop of Durham* (1805) 10 Ves 522 at 543; *Re Hetley, Hetley v Hetley* [1902] 2 Ch 866; *Re Wood, Barton v Chilcott* [1949] Ch 498, [1949] 1 All ER 1100; *Re Astor's Settlement Trusts, Astor v Scholfield* [1952] Ch 534, [1952] 1 All ER 1067; *Muir v IRC* [1966] 3 All ER 38, [1966] 1 WLR 1269, CA; *Re Pugh's Will Trusts, Marten v Pugh* [1967] 3 All ER 337, [1967] 1 WLR 1262. When the test for powers was more liberal than that for trusts, a valid power could not be spelt out of an invalid trust and, similarly, a valid power to effect pure abstract non-charitable purposes could not be spelt out of an invalid trust for pure abstract non-charitable purposes: see *IRC v Broadway Cottages Trust* [1955] Ch 20 at 36, [1954] 3 All ER 120 at 128, CA, per Jenkins LJ; *Re Shaw, Public Trustee v Day* [1957] 1 All ER 745 at 759, [1957] 1 WLR 729 at 746 per Harman J (compromised on appeal [1958] 1 All ER 245n, CA); *Re Endacott, Corpe v Endacott* [1960] Ch 232 at 246, [1959] 3 All ER 562 at 568, CA. Certain trusts which would have been void for uncertainty were validated by the Charitable Trusts (Validation) Act 1954: see ss 1, 2; and CHARITIES vol 5(2) (2001 Reissue) paras 90–93.

5 *Morice v Bishop of Durham* (1805) 10 Ves 522 at 537, 543 per Lord Eldon LC; *IRC v Broadway Cottages Trust* [1955] Ch 20, [1954] 3 All ER 120, CA; *Re Sayer Trust, MacGregor v Sayer* [1957] Ch 423, [1956] 3 All ER 600; *Re Gillingham Bus Disaster Fund, Bowman v Official Solicitor* [1959] Ch 62, [1958] 2 All ER 749, CA. See also para 705 et seq post.

6 *Whishaw v Stephens* [1970] AC 508 at 524, sub nom *Re Gulbenkian's Settlement Trusts, Whishaw v Stephens* [1968] 3 All ER 785 at 792, HL; *Re Barlow's Will Trusts* [1979] 1 All ER 296, [1979] 1 WLR 278.

7 *Re Baden's Deed Trusts (No 2)* [1972] Ch 607, [1971] 3 All ER 985; affd [1973] Ch 9, [1972] 2 All ER 1304, CA.

8 *McPhail v Doulton* [1971] AC 424, [1970] 2 All ER 228, HL; *Brown v Gould* [1972] Ch 53, [1971] 2 All ER 1505.

9 *McPhail v Doulton* [1971] AC 424, [1970] 2 All ER 228, HL. There were, however, divergences as to the meaning of 'is or is not' in *Re Baden's Deed Trusts (No 2)* [1973] Ch 9, [1972] 2 All ER 1304, CA, where Stamp LJ took a strict literal view, and Megaw LJ considered the test satisfied if as regards a substantial number of objects it could be said with certainty that they fell within the trust, even though as regards a substantial number of other people the answer would have to be not that they were outside the trust, but that it was not proved whether they were in it or not. Accordingly, Megaw LJ and Sachs LJ held a discretionary trust for 'relatives' to be valid as applying in the broad sense to persons who were descendants from a common ancestor.

10 See *Re Barlow's Will Trusts* [1979] 1 All ER 296, [1979] 1 WLR 278 (where the testatrix directed the sale of some paintings subject to the provision that 'any members of my family and any friends of mine who may wish to do so' be allowed to purchase any painting at a price well below its value, and it was held that the direction was valid as it was possible in the circumstances to say that at least one or more than one of the claimants qualified).

11 *Re Coxen, McCullum v Coxen* [1948] Ch 747, [1948] 2 All ER 492; *Re Jones, Midland Bank Executor and Trustee Co Ltd v Jones* [1953] Ch 125, [1953] 1 All ER 357. For contrasting views, however, see the judgments of Lord Denning MR and Eveleigh LJ in *Re Tuck's Settlement Trusts, Public Trustee v Tuck* [1978] Ch 49, [1978] 1 All ER 1047, CA.

12 *Re Beatty's Will Trusts, Hinves v Brooke* [1990] 3 All ER 844, [1990] 1 WLR 1503.

656. Administrative workability. If a conceptually uncertain[1] class of beneficiaries is specified in a trust instrument, then clearly the trust is administratively unworkable. If, however, the class is certain enough but the definition of beneficiaries is so wide as not to form anything like a class with the result that the trust is administratively unworkable or one which cannot be executed[2], then the trust will be void. Thus a trust for everyone in the world or for everyone but five named persons will be void[3] as, perhaps, would a discretionary trust for all the residents of Greater London[4]. It seems that the underlying reasoning for this is that a trust must be justiciable, and a court must act judicially according to sensible criteria expressly or impliedly provided by the trust instrument so that it may control or execute the trust.

A power for trustees with the previous written consent of the settlor to appoint anyone other than the settlor into a discretionary trust class of beneficiaries is valid as a power not to introduce anyone in the world to the class but only anyone proposed by the trustees and approved by the settlor[5], although such a power may be considered to be void if of so wide an extent that it would be impossible for the court to say whether or not the trustees were properly exercising it, or so wide that it would be impossible for the trustees to consider in any sensible manner how they should exercise it, if at all, from time to time[6]. Despite this, a power to add anyone in the world (except certain specified persons) to a class of beneficiaries[7], and a power to appoint to anyone in the world (except certain specified persons)[8], have been held to be valid.

1 As to conceptual uncertainty see para 655 ante.

2 See *McPhail v Doulton* [1971] AC 424 at 457, [1970] 2 All ER 228 at 247, HL, per Lord Wilberforce.

3 *Yeap Cheah Neo v Ong Cheng Neo* (1875) LR 6 PC 381; *Re Park, Public Trustee v Armstrong* [1932] 1 Ch 580; *Re Pugh's Will Trusts, Marten v Pugh* [1967] 3 All ER 337, [1967] 1 WLR 1262; *Blausten v IRC* [1972] Ch 256, [1972] 1 All ER 41, CA; *Re Hay's Settlement Trusts* [1981] 3 All ER 786, [1982] 1 WLR 202.

4 *McPhail v Doulton* [1971] AC 424, [1970] 2 All ER 228, HL; *Re Manisty's Settlement, Manisty v Manisty* [1974] Ch 17, [1973] 2 All ER 1203; *Re Hay's Settlement Trusts* [1981] 3 All ER 786, [1982] 1 WLR 202; *R v District Auditor No 3 Audit District of the West Yorkshire Metropolitan County Council, ex p West Yorkshire Metropolitan County Council* [1986] RVR 24, DC; but see *Mettoy Pension Trustees Ltd v Evans* [1991] 2 All ER 513, [1990] 1 WLR 1587.

5 *Blausten v IRC* [1972] Ch 256 at 272, [1972] 1 All ER 41 at 50, CA, per Buckley LJ.

6 *Blausten v IRC* [1972] Ch 256 at 273, [1972] 1 All ER 41 at 50, CA, per Buckley LJ.

7 *Re Manisty's Settlement, Manisty v Manisty* [1974] Ch 17, [1973] 2 All ER 1203.

8 *Re Hay's Settlement Trusts* [1981] 3 All ER 786, [1982] 1 WLR 202.

657. Discretion of trustees as to objects. Where several persons or objects are designated, a discretion may be given to the trustees as to which are to be benefited and in what proportions[1]. Property may be settled so as to give a person a determinable life interest[2]. This may be done by directing that the trustees are to hold the income on 'protective trusts' for the benefit of the person during his life; in such a case, a discretionary trust arises on the termination of that person's interest during his life[3]. Alternatively a person may be given a right to receive income until the trustees make an appointment of capital[4].

1 *Page v Way* (1840) 3 Beav 20; *Re Douglas, Obert v Barrow* (1887) 35 ChD 472, CA; *Re Coleman, Henry v Strong* (1888) 39 ChD 443 at 451, CA, per Cotton LJ; *Smith v Cock* [1911] AC 317, PC.
2 See para 737 post.
3 See SETTLEMENTS vol 42 (Reissue) para 607.
4 See para 738 post.

658. Failure to exercise discretion. Discretionary trusts over income remain exercisable despite the passing of time, although only in favour of such persons as would have been possible beneficiaries if the discretion had been exercised within a reasonable time[1]. In contrast, if powers over income are not exercised within a reasonable time, the discretion is extinguished and the beneficiaries in default of appointment become entitled[2].

If the court is called upon to see to the execution of discretionary trusts, it may do so by appointing new trustees, or by authorising or directing representative persons of the classes of beneficiaries to prepare a scheme of distribution or even, should the proper basis for distribution appear, by itself directing the trustees so to distribute[3].

1 *Re Locker's Settlement Trusts, Meachem v Sachs* [1978] 1 All ER 216, [1977] 1 WLR 1323.
2 *Re Allen-Meyrick's Will Trusts, Mangnall v Allen-Meyrick* [1966] 1 All ER 740, [1966] 1 WLR 499; *Re Manisty's Settlement, Manisty v Manisty* [1974] Ch 17, [1973] 2 All ER 1203. But see *Mettoy Pension Trustees Ltd v Evans* [1991] 2 All ER 513, [1990] 1 WLR 1587; *Schmidt v Rosewood Trust Ltd* [2003] UKPC 26 at [41] et seq, [2003] 2 AC 709 at [41] et seq, [2003] 3 All ER 76 at [41] et seq per Lord Walker of Gestingthorpe. See also POWERS vol 36(2) (Reissue) para 286.
3 *McPhail v Doulton* [1971] AC 424 at 457, [1970] 2 All ER 228 at 247, HL, per Lord Wilberforce.

E. COMPLETENESS AND VALUABLE CONSIDERATION

659. Omissions which are immaterial to constitution of trust. A trust may be completely constituted without communication of it to the trustee or to the beneficiary[1].

A trust created by will is not affected by the fact that no trustee is named, or by the fact that the trustee who is named either refuses or is unable, through death or otherwise, to act[2], as the personal representatives will act as trustees. It has also been held that an inter vivos trust is effective despite disclaimer by the trustees[3], although it would seem that no inter vivos trust can come into existence if based on a purported conveyance or transfer to trustees who are not named or otherwise identifiable or who are already dead[4].

A trust of property does not depend on the immediate existence of a legal estate in a trustee to support it[5].

A settlement of a policy of insurance is complete without notice[6] to the insurance office[7]; and a settlement of an equitable interest in stock is complete without notice to the trustees[8].

1 *Fletcher v Fletcher* (1844) 4 Hare 67; *Tate v Leithead* (1854) Kay 658; *Armstrong v Timperon* (1871) 24 LT 275; *Middleton v Pollock, ex p Elliott* (1876) 2 ChD 104; *Standing v Bowring* (1885) 31 ChD 282 at 290, CA, per Lindley LJ; *New, Prance and Garrard's Trustee v Hunting* [1897] 2 QB 19, CA; *Re Levesley, Goodwin v Levesley* (1915) 32 TLR 145; *Radcliffe v Abbey Road and St John's Wood Permanent Building Society* (1918) 87 LJ Ch 557. Non-disclosure is, however, a circumstance from which an intention to revoke may be gathered if the settlor has reserved a power of revocation: see *Re Cozens, Green v Brisley* [1913] 2 Ch 478; *Radcliffe v Abbey Road and St John's Wood Permanent Building Society* supra at 559. Although a trust may be completely constituted without reference to the beneficiary, the trustees may have a duty in the case of a discretionary trust to communicate with, and thereby inform themselves of the circumstances of, possible beneficiaries. For the rights of beneficiaries to disclosure of trust documents and accounts see para 962 post.
2 *A-G v Lady Downing* (1767) Wilm 1 at 24 per Wilmot CJ; *Sonley v Clock-makers' Co* (1780) 1 Bro CC 81; *A-G v Stephens* (1834) 3 My & K 347; *Dodkin v Brunt* (1868) LR 6 Eq 580; *Re Smirthwaite's Trust* (1871) LR 11 Eq 251.

3 *Jones v Jones* (1874) 31 LT 535; *Mallott v Wilson* [1903] 2 Ch 494. See also *Fletcher v Fletcher* (1844) 4 Hare 67; *Re Abacus (CI) Ltd (Trustee of the Esteem Settlement), Grupo Torras SA v Al Sabah* [2003] JRC 092 at [53], [2004] WTLR 1 at [53], 6 ITELR 368 at [53], per Deputy Bailiff Birt (suggesting that the decision in *Mallott v Wilson* supra was incorrect, being inconsistent with the principle in *Milroy v Lord* (1862) 4 De GF & J 264 that there must be either a perfect transfer to a trustee or a declaration of trust by the settlor). See also Matthews 'The constitution of disclaimed trusts inter vivos' [1981] Conveyancer 141.

4 Such a purported trust would seem to be an ineffective incompletely constituted trust: see para 662 post.

5 *A-G v Lady Downing* (1767) Wilm 1 at 22; *Siggers v Evans* (1855) 5 E & B 367 at 374 per Crompton J.

6 Notice to the insurers, although not necessary to complete the settlement, is necessary to complete the title of the trustees of the settlement against the insurers and third persons: see INSURANCE vol 25 (2003 Reissue) para 546. It is the business of the trustees to give notice (*Re King, Sewell v King* (1879) 14 ChD 179 at 186), but notice received by the insurers otherwise than from the trustees may be sufficient (cf CHOSES IN ACTION vol 6 (2003 Reissue) para 20).

7 *Fortescue v Barnett* (1834) 3 My & K 36; *Pearson v Amicable Assurance Office* (1859) 27 Beav 229; *Justice v Wynne* (1860) 12 I Ch R 289, CA; *Re King, Sewell v King* (1879) 14 ChD 179; but see *Ward v Audland* (1845) 8 Beav 201. As to the assignment of life insurance policies generally see INSURANCE vol 25 (2003 Reissue) paras 545–547 (essentials for good equitable assignment), 548–549 (statutory rights of assignee to sue for policy money), 550 (absolute assignments).

8 *Donaldson v Donaldson* (1854) Kay 711; *Voyle v Hughes* (1854) 2 Sm & G 18; *Re Way's Trusts* (1864) 2 De GJ & Sm 365 (where the settlor retained the deed in his possession and subsequently destroyed it and made a will disposing of the property).

660. Cases where failure to transfer is immaterial. The fact that the creator of a trust does not transfer to the trustee the legal estate in the trust property which he subsequently gets in is immaterial to the effectiveness of the trust, so long as he transfers all the interest in the trust property that at the time of the creation of the trust he is in a position to transfer[1]. Similarly, an assignment of debts to trustees is a complete constitution of the trust, even if there is no assignment or delivery to them of the securities for the debts[2]. The disposer must not, however, retain a control over the property which is inconsistent with an intention to create a trust[3].

1 *Gilbert v Overton* (1864) 2 Hem & M 110; *Nanney v Morgan* (1887) 37 ChD 346, CA; *Re Ralli's Will Trusts, Re Ralli's Marriage Settlement, Calvocoressi v Rodocanachi* [1964] Ch 288, [1963] 3 All ER 940; cf *Re Northcliffe, Arnholz v Hudson* [1925] Ch 651.

2 *Re Patrick, Bills v Tatham* [1891] 1 Ch 82, CA; cf *Parker v Stones* (1868) 38 LJ Ch 46.

3 See *Bizzey v Flight* (1876) 3 ChD 269.

661. Consideration not necessary where trust complete. Where a trust has been completely constituted, it is enforced whether there has been consideration for it or not[1].

Where, for example, A voluntarily covenants by deed with B to transfer property to B to hold on trust for C, it may be difficult to determine whether or not there is a completely constituted trust of the covenant itself. In principle, the answer should depend upon whether A intended to create an immediate trust of the benefit of the covenant or only intended to create a trust of the property if or when he actually transferred it to B[2]. Where the covenant relates to transferring money, so creating a debt, and the deed would otherwise be wholly futile, then the court may find an intention to create a trust of the covenant[3]. Where the covenant relates to after-acquired property and is in a deed which is otherwise fully effective, the court may find an intention only to create a trust of the property if or when actually transferred to the trustees of the deed[4].

In such a case, if the trustees ask the court whether they should sue at law as covenantees, they will be directed not to sue, the maxim 'equity will not assist a volunteer' being invoked[5]. Equity is, however, here frustrating a volunteer suing at law, which it normally does not do[6]. The real reason why equity will not allow the trustees to recover damages at law may well be that, as the benefit of the covenant ex hypothesi

is not held on trust for the third person, and is not held beneficially by the trustees, then it must be held on resulting trust for the settlor-covenantor who would not wish an action to be brought against himself[7].

A beneficiary may now, however, be able to make a claim under the Contracts (Rights of Third Parties) Act 1999[8].

1 *Jefferys v Jefferys* (1841) Cr & Ph 138; *Bentley v Mackay* (1851) 15 Beav 12; *Kekewich v Manning* (1851) 1 De GM & G 176; *Milroy v Lord* (1862) 4 De GF & J 264; *Richardson v Richardson* (1867) LR 3 Eq 686; *Henry v Armstrong* (1881) 18 ChD 668; *Paul v Paul* (1882) 20 ChD 742, CA; *Mallott v Wilson* [1903] 2 Ch 494; *Carter v Hungerford* [1917] 1 Ch 260. See also the cases cited in para 667 note 2 post.

2 An intention to create a trust is fundamental to the constitution of a trust: see paras 649–652 ante.

3 *Fletcher v Fletcher* (1844) 4 Hare 67.

4 *Re Plumptre's Marriage Settlement, Underhill v Plumptre* [1910] 1 Ch 609; *Re Pryce, Nevill v Pryce* [1917] 1 Ch 234.

5 *Re Kay's Settlement, Broadbent v Macnab* [1939] Ch 329, [1939] 1 All ER 245; *Re Cook's Settlement Trusts, Royal Exchange Assurance v Cook* [1965] Ch 902, [1964] 3 All ER 898. It is not clear what the position would be if the trustees were to choose to sue without going to the court: see Elliott 'The power of trustees to enforce covenants in favour of volunteers' (1960) 76 LQR 100; Lee 'The Public Policy of *Re Cook's Settlement Trusts*' (1969) 85 LQR 213; Barton 'Trusts and Covenants' (1975) 91 LQR 236; Meagher and Lehane 'Trusts of Voluntary Covenants' (1976) 92 LQR 427.

6 A volunteer who is a covenantee and a party to the deed can obtain full damages at law: *Cannon v Hartley* [1949] Ch 213, [1949] 1 All ER 50.

7 See Underhill and Hayton *Law relating to Trusts and Trustees* (17th Edn, 2007) p 228.

8 See para 662 post. See also Underhill and Hayton *Law relating to Trusts and Trustees* (17th Edn, 2007) p 216; and CONTRACT.

662. Incomplete trusts. Where a trust is not completely constituted, that is to say, where the settlor has not effectively declared himself trustee of specific property or has not effectively transferred property to trustees on certain trusts[1], a court of equity compels its completion and execution if it has been created for valuable consideration[2], but not if it is purely voluntary and without consideration[3]. If the settlor has not effectively transferred the property to the trustees, the court will not treat the attempted transfer as a declaration of trust by the settlor, as by attempting to transfer the property the settlor has shown an intention to divest himself of it and not to hold it himself as trustee[4]. Where the settlor has done all in his power, according to the nature of the property, to transfer the property to trustees (for example, by handing over a share certificate and a duly executed transfer form), the transfer will be treated as effective in equity even though something remains to be done by the transferees or a third person for the legal title to pass[5].

Incomplete trusts which as regards some of the beneficiaries are for valuable consideration and as regards others are voluntary will not be enforced at the behest of the volunteers[6], except where the interest of the volunteers is bound up with the interest of the other beneficiaries[7]. If, however, a beneficiary who is not a volunteer seeks to enforce the incomplete trust, the court will enforce it so that the trust becomes completely constituted; a volunteer beneficiary will then be able to enforce his rights under the completely constituted trust[8].

The position in equity has been modified by the Contracts (Rights of Third Parties) Act 1999 where a settlor has entered into a voluntary covenant to transfer property to trustees on specified trusts[9]. The Act provides that a person who is not a party to a contract[10] may in his own right enforce a term of the contract where the term purports to confer a benefit on him[11]. The third party must be expressly identified in the contract by name, as a member of a class or as answering a particular description but need not be in existence when the contract is entered into[12]. It is provided, however, that these provisions do not apply if on a proper construction of the contract it appears that the parties did not intend the term to be enforceable by the third party[13]. There is available

to the third party any remedy that would have been available to him in an action for breach of contract if he had been a party to the contract: this enables him to sue for damages and obtain substantial damages, but as a volunteer he will still be unable to obtain specific performance[14]. Any right or remedy of the third party that exists or is available apart from the Contracts (Rights of Third Parties) Act 1999 is unaffected by it[15]; and the right, if any, of the trustees to sue the settlor is likewise unaffected[16].

1 *Bridge v Bridge* (1852) 16 Beav 315; *Bizzey v Flight* (1876) 3 ChD 269; *Re Earl of Lucan, Hardinge v Cobden* (1890) 45 ChD 470.

2 *Donaldson v Donaldson* (1854) Kay 711; *Lee v Lee* (1876) 4 ChD 175; *Pullan v Koe* [1913] 1 Ch 9 (covenant to settle enforced). There is valuable consideration where a party gives up something: *Hewison v Negus* (1853) 17 Jur 445 (affd (1853) 17 Jur 567); *Teasdale v Braithwaite* (1877) 5 ChD 630, CA; *Re Foster and Lister* (1877) 6 ChD 87 at 89, 96 per Jessel MR; *Schreiber v Dinkel* (1886) 54 LT 911, CA. An assignment of leaseholds to which liability is attached is for valuable consideration by reason of the relief of the assignor from the liability: *Price v Jenkins* (1877) 5 ChD 619, CA; *Harris v Tubb* (1889) 42 ChD 79. Marriage constitutes consideration for a settlement. As to such consideration and the parties within it see SETTLEMENTS vol 42 (Reissue) para 661 et seq; and as to valuable consideration generally see CONTRACT vol 9(1) (Reissue) para 727 et seq. A purported conveyance on or after 1 January 1997 of a legal estate in land to a minor is not effective to pass the legal estate, but operates as a declaration that the land is held in trust for the minor: see the Trusts of Land and Appointment of Trustees Act 1996 s 2, Sch 1 para 1; and see SETTLEMENTS vol 42 (Reissue) para 677. See also CHILDREN AND YOUNG PERSONS. As to the enforcement of trusts relating to foreign immovables see CONFLICT OF LAWS vol 8(3) (Reissue) para 396; and as to covenants in marriage settlements to settle after-acquired property see SETTLEMENTS vol 42 (Reissue) para 644 et seq.

3 *Colman v Sarrel* (1789) 1 Ves 50 at 55; *Ellison v Ellison* (1802) 6 Ves 656 at 662 per Lord Eldon LC; *Pulvertoft v Pulvertoft* (1811) 18 Ves 84 at 99; *Ex p Pye, ex p Dubost* (1811) 18 Ves 140 at 149; *Jefferys v Jefferys* (1841) Cr & Ph 138; *Ward v Audland* (1845) 8 Beav 201; *Bentley v Mackay* (1851) 15 Beav 12; *Bridge v Bridge* (1852) 16 Beav 315; *Pownall v Anderson* (1856) 4 WR 407; *Dening v Ware* (1856) 22 Beav 184 at 190 per Romilly MR; *Wilkinson v Wilkinson* (1857) 4 Jur NS 47; *Walrond v Walrond* (1858) John 18; *Milroy v Lord* (1862) 4 De GF & J 264; *Lister v Hodgson* (1867) LR 4 Eq 30; *Stone v Stone* (1869) 5 Ch App 74; *Marler v Tommas* (1873) LR 17 Eq 8; *Re D'Angibau, Andrews v Andrews* (1880) 15 ChD 228 at 242, CA, per Cotton LJ; *Harding v Harding* (1886) 17 QBD 442 at 444, DC, per Wills J; *Re Earl of Lucan, Hardinge v Cobden* (1890) 45 ChD 470. The assignment by deed of an expectancy only operates as an agreement to assign it when realised, and therefore the creation of a trust of the expectancy, if voluntary, is not enforced: *Meek v Kettlewell* (1843) 1 Ph 342; *Re Ellenborough, Towry Law v Burne* [1903] 1 Ch 697. Where, however, an expectancy is by a voluntary settlement assigned to trustees who are given power to receive and give receipts for it, and trusts are declared of any money so received, and the trustees in fact receive sums in respect of it before their authority is revoked, the trusts attach to the sums so received, and *Meek v Kettlewell* supra and *Re Ellenborough, Towry Law v Burne* supra have no application (*Re Bowden, Hulbert v Bowden* [1936] Ch 71); and, where after-acquired property has in fact been transferred to trustees under a covenant, it cannot be recovered although the covenant is unenforceable (*Re Adlard, Taylor v Adlard* [1954] Ch 29, [1953] 2 All ER 1437). In *Re Ralli's Will Trusts, Re Ralli's Marriage Settlement, Calvocoressi v Rodocanachi* [1964] Ch 288, [1963] 3 All ER 940, Buckley J was of the opinion that, if the trustees of a voluntary settlement containing a covenant to settle after-acquired property happened fortuitously to receive such property in some other capacity, e g as trustees of will trusts, then this completely constituted the trust without any further act, e g the settlor's authority. This view does, however, conflict with the ratio in *Re Brooks' Settlement Trusts, Lloyds Bank Ltd v Tillard* [1939] Ch 993, [1939] 3 All ER 920, which was not cited in *Re Ralli's Will Trusts, Re Ralli's Marriage Settlement, Calvocoressi v Rodocanachi* supra. A beneficiary under a pension scheme will not normally be a volunteer; his rights have been earned by service under contract as well as by contributions: *Mettoy Pension Trustees Ltd v Evans* [1991] 2 All ER 513 at 537, 549, [1990] 1 WLR 1587 at 1610, 1618 per Warner J; *Imperial Group Pension Trust Ltd v Imperial Tobacco Ltd* [1991] 2 All ER 597, [1991] 1 WLR 589; *McDonald v Horn* [1995] 1 All ER 961, CA. See also *Stannard v Fisons Pension Trust Ltd* [1992] IRLR 27, CA; *Air Jamaica Ltd v Joy Charlton* [1999] 1 WLR 1399, PC.

4 *Richards v Delbridge* (1874) LR 18 Eq 11. See also *Milroy v Lord* (1862) 4 De GF & J 264; distinguished in *Jaffa v Taylor Gallery Ltd, Jaffa v Harris* (1990) Times, 21 March.

5 *Re Rose, Rose v IRC* [1952] Ch 499 at 510, [1952] 1 All ER 1217 at 1222, CA; *Mascall v Mascall* (1984) 50 P & CR 119, CA; *Hunter v Moss* [1994] 3 All ER 215, [1994] 1 WLR 452, CA. See also *Re Fry, Chase National Executors and Trustees Corpn v Fry* [1946] Ch 312, [1946] 2 All ER 106; *Macmillan Inc v Bishopsgate Investment Trust plc (No 3)* [1995] 3 All ER 747, [1995] 1 WLR 978. There may be circumstances where equity will intervene to prevent a donor acting in a way which is unconscionable: see *Pennington v Waine* [2002] EWCA Civ 227 at [60], [2002] 4 All ER 215 at [60], [2002] 2 BCLC 448 at [60] per Arden LJ

(gift was in any event held to be perfect under the principle of benevolent construction (see *T Choithram International SA v Pagarani* [2001] 2 All ER 492, [2001] 1 WLR 1, PC; and para 650 ante) and alternatively the donor and auditor became the donee's agent for the purpose of delivering the transfer thus perfecting the gift; donor had completed a share transfer and given it to the company's auditors but it had not been delivered to either the donee or the company).

6 *Sutton v Chetwynd* (1817) 3 Mer 249 (affd in the House of Lords: noted at (1824) Turn & R 296); *Cormick v Trapaud* (1818) 6 Dow 60, HL; *Johnson v Legard* (1822) Turn & R 281 at 293 per Lord Eldon LC; *Gale v Gale* (1877) 6 ChD 144; *Re D'Angibau, Andrews v Andrews* (1880) 15 ChD 228 at 242, CA, per Cotton LJ; *Re Cameron and Wells* (1887) 37 ChD 32; *De Mestre v West* [1891] AC 264, PC; *Re Plumptre's Marriage Settlement, Underhill v Plumptre* [1910] 1 Ch 609; *Re Pryce, Nevill v Pryce* [1917] 1 Ch 234 (where, following *Re D'Angibau, Andrews v Andrews* supra, it was held that a covenant to settle after-acquired property was not enforceable for the benefit of volunteers, in this case the next of kin).

7 *Jenkins v Keymis* (1664) 1 Lev 150 (Court of Exchequer); *Jenkins v Keymes* (1668) 1 Lev 237 (in Chancery); *Newstead v Searles* (1737) 1 Atk 265; *Clayton v Earl of Wilton* (1813) 3 Madd 302 note (a); *Davenport v Bishopp* (1843) 2 Y & C Ch Cas 451 (affd (1846) 1 Ph 698); *Price v Jenkins* (1876) 4 ChD 483 at 488; *Mackie v Herbertson* (1884) 9 App Cas 303, HL; *De Mestre v West* [1891] AC 264 at 270, PC; *Re Cook's Settlement Trusts, Royal Exchange Assurance v Cook* [1965] Ch 902, [1964] 3 All ER 898. As to the persons within the marriage consideration, and as to the position where limitations not within the consideration are bound up with those which are within, see SETTLEMENTS vol 42 (Reissue) paras 661–662.

8 *Davenport v Bishopp* (1843) 2 Y & C Ch Cas 451; affd (1846) 1 Ph 698.

9 The Contracts (Rights of Third Parties) Act 1999 s 1 clearly applies both to a simple contract and a specialty: see s 7(3); and CONTRACT.

10 Ie such as a beneficiary under a trust. As to the rights of a beneficiary who is a party to the deed see *Cannon v Hartley* [1949] Ch 213, [1949] 1 All ER 50.

11 See the Contracts (Rights of Third Parties) Act 1999 s 1(1)(b); and CONTRACT.

12 See ibid s 1(3); and CONTRACT.

13 See ibid s 1(2); and CONTRACT. This would seem to leave scope for the same arguments as those considered in para 661 ante as to whether there is a trust of the benefit of the covenant.

14 See *Cannon v Hartley* [1949] Ch 213, [1949] 1 All ER 50. Of course, a mere promise without consideration and not by deed remains unenforceable.

15 See the Contracts (Rights of Third Parties) Act 1999 s 7(1); and CONTRACT.

16 See ibid s 4; and CONTRACT. As to the right of trustees to sue the settlor see para 661 ante.

663. Valuable consideration for trust in favour of third person. Where an incomplete trust in favour of a third person is declared between the disposer and another for valuable consideration, performance of the trust can be enforced at the suit of the other party to the declaration, but not, in equity, at the suit of the third person[1], although he may now be able to make a claim under the Contracts (Rights of Third Parties) Act 1999[2].

1 *Colyear v Countess of Mulgrave* (1836) 2 Keen 81. As to the general rights and liabilities of third persons in connection with a contract see CONTRACT vol 9(1) (Reissue) para 748 et seq.

2 See para 662 ante.

664. Position where settlor obtains possession of property. A person who, after having made a settlement or other disposition of property which is complete in law, obtains possession of the property himself holds it in trust for the purposes of the settlement or disposition and must account for it in equity accordingly[1].

1 *Fortescue v Barnett* (1834) 3 My & K 36; *Fletcher v Fletcher* (1844) 4 Hare 67; *Nanney v Morgan* (1887) 37 ChD 346, CA; *Re Patrick, Bills v Tatham* [1891] 1 Ch 82, CA.

F. RECTIFICATION, DURATION, REVOCATION AND VARIATION

665. Rectification on account of error. Where by mistake an instrument creating a trust of property does not express the disposer's intention, it may be rectified according as his true intention requires[1]. There is jurisdiction to rectify a voluntary settlement not only at the instance of the settlor but also at the instance of a beneficiary

who is a volunteer[2]. The court may rectify even if the trustees or other parties to the settlement did not share the settlor's mistake[3], although it would seem unlikely that the court in its discretion would rectify a settlement in the face of the reasonable opposition of a trustee who had accepted office on the faith of the settlement as executed and in ignorance of the mistake. Rectification will not, however, be decreed against the wishes of the settlor, even though it is clear that the document does not represent his wishes at the time of its execution[4]. Rectification may be ordered where words were intended to be used but there was a mistake as to the interpretation of the words[5]. It may also be ordered where it is sought to rectify a document designed to avoid inheritance tax[6].

In some cases of mistake it may be appropriate to set aside the deed rather than rectify it. This may be done where there is a voluntary transaction by which one party intends to confer a bounty on another, if the court is satisfied that the disposer did not intend the transaction to have the effect which it did. It may be a mistake of law or of fact, so long as it is as to the effect of the transaction itself and not merely as to its consequences or the advantages to be gained by entering into it[7]. The equitable jurisdiction is available in circumstances where rectification is not because the beneficiaries are not parties to the relevant deed[8].

1 *Thompson v Whitmore* (1860) 1 John & H 268 at 273 per Wood V-C; *Lister v Hodgson* (1867) LR 4 Eq 30; *Weir v Van Tromp* (1900) 16 TLR 531. See also EQUITY vol 16(2) (Reissue) para 443; MISTAKE vol 32 (2005 Reissue) para 55 et seq. It is for the person claiming rectification to prove the existence of circumstances justifying it: *Pink v Lawrence* (1977) 36 P & CR 98, CA. As to the rectification of wills see EQUITY vol 16(2) (Reissue) para 444; WILLS vol 50 (2005 Reissue) para 408.

2 *Thompson v Whitmore* (1860) 1 John & H 268. In *Weir v Van Tromp* (1900) 16 TLR 531, however, Byrne J, while accepting that there was jurisdiction, observed that he had not been referred to any case where judgment had in fact been given in favour of reforming a voluntary settlement at the instance of a volunteer.

3 *Re Butlin's Settlement Trusts, Butlin v Butlin* [1976] Ch 251, [1976] 2 All ER 483.

4 *Broun v Kennedy* (1863) 33 Beav 133 at 147 (affd (1864) 4 De GJ & Sm 217); *Lister v Hodgson* (1867) LR 4 Eq 30 (see especially at 34 per Romilly MR); *Weir v Van Tromp* (1900) 16 TLR 531. However, the instrument may be rectified after the death of the disposer, if it is proved beyond all doubt that it did not express his intentions: *Lister v Hodgson* supra at 32 per Lord Romilly MR; *Weir v Van Tromp* supra; *Van der Linde v Van der Linde* [1947] Ch 306.

5 *Re Butlin's Settlement Trusts, Butlin v Butlin* [1976] Ch 251, [1976] 2 All ER 483. A mistake as to the material facts which led to the words used cannot be rectified (*Frederick E Rose (London) Ltd v William H Pim Jnr & Co Ltd* [1953] 2 QB 450, [1953] 2 All ER 739, CA) neither can a mistake as to the consequences of the instrument (*Allnutt v Wilding* [2006] EWHC 1905 (Ch), 150 Sol Jo LB 1057, [2006] All ER (D) 375 (Jul) (affd [2007] All ER (D) 41 (Apr)). See also MISTAKE vol 32 (2005 Reissue) para 55 et seq.

6 *Re Slocock's Will Trusts* [1979] 1 All ER 358 (a decision on capital transfer tax); cf *Whiteside v Whiteside* [1950] Ch 65, [1949] 2 All ER 913, CA; *Re Colebrook's Conveyances, Taylor v Taylor* [1973] 1 All ER 132, [1972] 1 WLR 1397. It is possible to obtain rectification of a deed of variation made under the Inheritance Tax Act 1984 s 142 (see INHERITANCE TAXATION vol 24 (Reissue) para 471): *Lake v Lake* [1989] STC 865; *Martin v Nicholson* [2004] EWHC 2135 (Ch), [2004] All ER (D) 95 (Jul); *Farmer v Sloan* [2004] EWHC 606 (Ch), [2004] All ER (D) 207 (Mar). As to inheritance tax see INHERITANCE TAXATION. As to rectification where income tax is in question see INCOME TAXATION.

7 *Gibbon v Mitchell* [1990] 3 All ER 338, [1990] 1 WLR 1304. As to the distinction between effect and consequences see *Wolff v Wolff* [2004] EWHC 2110 (Ch), [2004] STC 1633; *Sieff v Fox* [2005] EWHC 1312 (Ch), [2005] 3 All ER 693, [2005] 1 WLR 3811; *Allnutt v Wilding* [2006] EWHC 1905 (Ch), 150 Sol Jo LB 1057, [2006] All ER (D) 375 (Jul) (affd [2007] All ER (D) 41 (Apr)). It is for the person seeking to set aside the instrument to produce convincing evidence of the mistake: *Anker-Petersen v Christenson* [2002] WTLR 313 at 330 per Davis J. However, it is not necessary for that person to show that he would not have entered into the deed had he been properly advised: *Anker-Petersen v Christenson* supra at 335.

8 *Anker-Petersen v Christenson* [2002] WTLR 313.

666. Duration. Certain restrictions are imposed on the duration of trusts by the rules directed against remoteness of vesting and against the creation of non-charitable trusts of perpetual or indefinite duration where the income is rendered inalienable for

longer than the perpetuity period, and by the statutory restrictions on accumulations of income[1]. Apart from such restrictions, after it has become operative an express trust may be terminated by the subsequent failure or satisfaction of the purposes of the trust[2], or by the cessation of particular circumstances for which the trust was created to provide[3], or by the action of the beneficiaries if they are all ascertained and sui juris[4].

1 See paras 684–685 post.

2 See eg *Re Gillingham Bus Disaster Fund, Bowman v Official Solicitor* [1959] Ch 62, [1958] 2 All ER 749, CA (where the objects, so far as not void for uncertainty, had been satisfied). See also *Re Abbott Fund Trusts, Smith v Abbott* [1900] 2 Ch 326. As to the circumstances in which a resulting trust arises on a failure of purposes see paras 711–712 post.

3 As to the extent to which the provisions of a separation deed are to be construed as limited to the period during which the separation continues see eg CONTRACT vol 9(1) (Reissue) para 864.

4 See para 750 post.

667. Revocation and variation. Where an express trust is completely constituted[1], it is generally binding and irrevocable whether it was or was not constituted or declared for valuable consideration, unless a power of revocation is expressly reserved[2]. In order to effect a valid revocation, such a power must be exercised in the manner specifically directed[3].

In certain circumstances, however, a disposition of property in trust may be set aside under the provisions relating to the avoidance of transactions at an undervalue[4] in bankruptcy, or under the general statutory provisions relating to dispositions in fraud of creditors[5], or on the ground that the disposition was induced by fraud, duress or undue influence[6]. The court has wide discretionary powers conferred on it by statute to vary the terms of trusts[7], besides its limited inherent jurisdiction in this respect[8].

1 As to express trusts see para 644 et seq ante; and as to completeness see para 659 et seq ante.

2 *Ellison v Ellison* (1802) 6 Ves 656; *Pulvertoft v Pulvertoft* (1811) 18 Ves 84 at 99; *Ex p Pye, ex p Dubost* (1811) 18 Ves 140 at 149; *Fortescue v Barnett* (1834) 3 My & K 36; *Bill v Cureton* (1835) 2 My & K 503 at 511; *Collinson v Pattrick* (1838) 2 Keen 123; *Reed v O'Brien* (1843) 7 Beav 32; *Ward v Audland* (1845) 8 Beav 201; *Bentley v Mackay* (1851) 15 Beav 12; *Smith v Hurst* (1852) 10 Hare 30 at 47 per Turner V-C; *Bridge v Bridge* (1852) 16 Beav 315 at 321–322 per Romilly MR; *Parnell v Hingston* (1856) 3 Sm & G 337; *Justice v Wynne* (1860) 12 I Ch R 289, CA; *Jones v Lock* (1865) 1 Ch App 25 at 28 per Lord Cranworth LC; *Gee v Liddell* (1866) 35 Beav 621; *Kelly v Walsh* (1878) 1 LR Ir 275; *Paul v Paul* (1882) 20 ChD 742, CA; *Re Flavell, Murray v Flavell* (1883) 25 ChD 89 at 102–103, CA, per Cotton LJ; *Standing v Bowring* (1885) 31 ChD 282, CA; *New, Prance and Garrard's Trustee v Hunting* [1897] 2 QB 19, CA. A limited power of revocation negatives the presumption of general revocability: *Radcliffe v Abbey Road and St John's Wood Permanent Building Society* (1918) 87 LJ Ch 557. As to setting aside a voluntary instrument executed by mistake see para 665 ante; and MISTAKE vol 32 (2005 Reissue) para 52. As to the alteration or revocation of trusts for creditors see para 668 post.

3 *Lane v Debenham* (1853) 11 Hare 188 at 192. A power to revoke the trusts of a settlement with the consent of a judge of the Chancery Division is invalid, as a private individual cannot impose upon a judge the jurisdiction or duty to adjudicate on a matter: *Re Hooker's Settlement, Heron v Public Trustee* [1955] Ch 55, [1954] 3 All ER 321; and see *Re H's Settlement, H v S* [1939] WN 318; *Anthony v Donges* [1998] 2 FLR 775.

4 See the Insolvency Act 1986 ss 339, 341, 342 (ss 339, 342 as amended); and BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 653 et seq.

5 See ibid ss 423–425 (ss 423, 424 as amended); and BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 663 et seq. For an example of a trust void under s 423(2) see *IRC v Hashmi* [2002] EWCA Civ 981, [2002] 2 BCLC 489, [2002] WTLR 1027. See also *Hill v Spread Trustee Co Ltd* [2006] EWCA Civ 542, [2007] 1 All ER 1106.

6 See para 680 post.

7 Such powers are conferred principally by the Variation of Trusts Act 1958 s 1 (as amended): see para 1062 et seq post. Certain powers of variation are also given to the court by the Trustee Act 1925 s 57: see para 1061 post. See also the Matrimonial Causes Act 1973 s 24 (as substituted and amended); and MATRIMONIAL LAW vol 29(3) (Reissue) para 824.

8 See para 1060 post.

668. Trusts for creditors. If a debtor conveys property in trust for the benefit of his creditors who are not parties to the conveyance and to whom the fact of its execution is not communicated, the conveyance merely operates as a power to the trustee to apply the property in satisfying their claims; and, in as much as the debtor himself is in fact the only beneficiary[1], is revocable by him before the property is so applied, and cannot be enforced by the creditors[2]. A trust in favour of creditors is, however, irrevocable if the creditors are parties to or assent to the conveyance[3], or if the fact of its execution is communicated to them[4]. The trust is also irrevocable and enforceable by the creditors if it is not to take effect until after the debtor's death[5], or if it is followed by a further trust in favour of other beneficiaries[6].

Certain deeds of arrangement for the benefit of creditors require to be registered, otherwise they will be void[7]. Moreover, if such a deed of arrangement is for the benefit of creditors generally, it will be void unless assented to by a majority of creditors in the proper manner[8]. A deed of arrangement affecting land, other than registered land[9], is void against a purchaser of the land unless it is registered in the register of deeds of arrangement at the Land Registry[10]. A deed of arrangement affecting registered land must be registered to be effective and a purchaser will not be concerned with or affected by any deed of arrangement which is not so protected[11].

1 *Bill v Cureton* (1835) 2 My & K 503 at 511 per Pepys MR.

2 *Wallwyn v Coutts* (1815) 3 Mer 707; *Garrard v Lord Lauderdale* (1830) 3 Sim 1; *Acton v Woodgate* (1833) 2 My & K 492; *La Touche v Earl of Lucan* (1840) 7 Cl & Fin 772, HL; *Bateman v Margerison* (1848) 6 Hare 496; *Mackinnon v Stewart* (1850) 1 Sim NS 76; *Synnot v Simpson* (1854) 5 HL Cas 121 at 133–134 per Lord Cranworth LC; *Henriques v Bensusan, Bank of England Claim* (1872) 20 WR 350; *Johns v James* (1878) 8 ChD 744, CA; *Re Sanders' Trusts* (1878) 47 LJ Ch 667; *Henderson v Rothschild & Sons* (1887) 56 LJ Ch 471, CA; *Re Ashby, ex p Wreford* [1892] 1 QB 872; *R v Humphris* [1904] 2 KB 89, CCR. See also BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 861; GIFTS vol 20(1) (Reissue) para 59. In executing such a conveyance the debtor is merely directing the mode in which his own property is to be applied for his own benefit (*Garrard v Lord Lauderdale* supra at 12 per Shadwell V-C), and the conveyance has the same effect as if the debtor had delivered money to an agent to pay his creditors, in which case he might recall the money before the agent had made any payment or communication to them (*Acton v Woodgate* supra at 495 per Leach MR; *Synnot v Simpson* supra at 133; cf *Hughes v Stubbs* (1842) 1 Hare 476; *Lawrence v Campbell* (1859) 7 WR 170). The question whether the trusts of the conveyance can be revoked, altered or modified depends upon the circumstances of each particular case: *Smith v Hurst* (1852) 10 Hare 30 at 47 per Turner V-C. A conveyance upon trust to make good breaches of trust committed by the disposer in respect of certain trust estates has been held to be irrevocable, being a trust for particular persons, not for general creditors (*New, Prance and Garrard's Trustee v Hunting* [1897] 2 QB 19, CA); in such a case the disposer becomes a constructive trustee of the money misapplied which he is bound to invest for the trust, and the relationship is not merely that of debtor and creditor (*Radcliffe v Abbey Road and St John's Wood Permanent Building Society* (1918) 87 LJ Ch 557). As to when a conveyance ostensibly in trust for the benefit of creditors will be set aside as fraudulent see BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 663 et seq; as to the effect of time on a trust for creditors see LIMITATION OF ACTIONS vol 28 (Reissue) para 1050; and as to assignments for the benefit of creditors generally see BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 859 et seq.

3 *Field v Lord Donoughmore* (1841) 1 Dr & War 227; *Mackinnon v Stewart* (1850) 1 Sim NS 76; *Nicholson v Tutin* (1855) 2 K & J 18; *Siggers v Evans* (1855) 5 E & B 367; *Montefiore v Browne* (1858) 7 HL Cas 241; *Wild v Banning* (1866) LR 2 Eq 577. See also GIFTS vol 20(1) (Reissue) para 59. It is not necessary that the creditors should actually execute the deed if they otherwise express their assent to it: *Field v Lord Donoughmore* supra at 228 per Sugden LC; *Gould v Robertson* (1851) 4 De G & Sm 509; *Re Baber's Trusts* (1870) LR 10 Eq 554. A creditor will, however, take no benefit under the deed if he deviates from and disturbs the arrangement made by it (*Field v Lord Donoughmore* supra at 229 per Lord Sugden LC), or if he is guilty of undue delay in taking advantage of it (*Field v Lord Donoughmore* supra; *Gould v Robertson* supra; but see *Nicholson v Tutin* supra).

4 *Acton v Woodgate* (1833) 2 My & K 492 at 495 per Leach MR; *Browne v Cavendish, Cavendish v Browne* (1844) 1 Jo & Lat 606 at 635–636 per Sugden LC; *Harland v Binks* (1850) 15 QB 713; *Synnot v Simpson* (1854) 5 HL Cas 121 at 138–139 per Lord Cranworth LC; *Henderson v Rothschild & Sons* (1886) 33 ChD 459 at 469 per Bacon V-C; *Adnitt v Hands* (1887) 57 LT 370, DC; *Re Sanders' Trusts* (1878) 47 LJ Ch 667. The communication may have induced the creditors to refrain from steps which they would have

otherwise taken to enforce their claims: *Acton v Woodgate* supra at 495. Where, however, a person on going abroad conveyed property upon trust for its general management, including payment of his debts, the communication to his creditors of the existence of the deed was held not to constitute them beneficiaries under it: *Cornthwaite v Frith* (1851) 4 De G & Sm 552; and see *Re Michael, ex p Michael* (1891) 8 Morr 305, DC. See also *Mackinnon v Stewart* (1850) 1 Sim NS 76; *Montefiore v Browne* (1858) 7 HL Cas 241.

5 *Synnot v Simpson* (1854) 5 HL Cas 121 at 139 per Lord Cranworth LC; *Re Fitzgerald's Settlement, Fitzgerald v White* (1887) 37 ChD 18, CA. See also GIFTS vol 20(1) (Reissue) para 59.

6 *Godfrey v Poole* (1888) 13 App Cas 497, PC; *Priestley v Ellis* [1897] 1 Ch 489.

7 See the Deeds of Arrangement Act 1914 ss 1, 2 (s 2 as amended); and BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 859 et seq.

8 See ibid s 3 (as amended); and BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 865.

9 See the Land Charges Act 1972 s 7; and LAND CHARGES vol 26 (2004 Reissue) para 662 et seq. As to registered land see generally LAND REGISTRATION.

10 See BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 870; LAND CHARGES vol 26 (2004 Reissue) para 664. As to the Land Registry see LAND REGISTRATION vol 26 (2004 Reissue) para 1064 et seq.

11 See the Land Registration Act 2002 s 87; the Land Registration Rules 2003, SI 2003/1417, r 93; and BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 870; LAND REGISTRATION vol 26 (2004 Reissue) paras 1009, 1019–1020. A deed of arrangement cannot be protected by a notice, nor can it take effect as an unregistered interest which overrides registration; it must be protected by a restriction: see the Land Registration Act 2002 s 87(2)(a), (3); and LAND REGISTRATION vol 26 (2004 Reissue) para 1020.

(ii) Executory Trusts

669. Construction. An executory trust, where the declaration of trust is in the form of a direction to create by a subsequent instrument certain trusts not defined with absolute precision by the disposer[1], is not construed according to the legal effect of the language used, as an executed trust would be[2], but is generally[3] construed so as best to give effect to the apparent intention of the disposer[4]. Equity will modify any inapt provision[5].

1 As to the distinction between executed and executory trusts generally see para 626 ante.

2 See paras 649–652 ante.

3 See, however, para 671 post.

4 1 Fearne's Contingent Remainders (10th Edn) 136 et seq; *Leonard v Earl of Sussex* (1705) 2 Vern 526; *Papillon v Voice* (1728) 2 P Wms 471; *Lord Glenorchy v Bosville* (1733) Cas temp Talb 3; *Wright v Pearson* (1758) 1 Eden 119; *Austen v Taylor* (1759) 1 Eden 361 at 366; *Lecky v Knox* (1809) 1 Ball & B 210 at 215; *Blackburn v Stables* (1814) 2 Ves & B 367; *Jervoise v Duke of Northumberland* (1820) 1 Jac & W 559; *M'Guire v Scully* (1829) Beat 370 at 378; *Stonor v Curwen* (1832) 5 Sim 264; *Phillips v James* (1865) 13 WR 934; *Sackville-West v Viscount Holmesdale* (1870) LR 4 HL 543; *Cogan v Duffield* (1876) 2 ChD 44, CA; *Hastie v Hastie* (1876) 2 ChD 304, CA; *Re Parrott, Walter v Parrott* (1886) 33 ChD 274, CA; *Nash v Allen* (1889) 42 ChD 54; *Re Ballance, Ballance v Lanphier* (1889) 42 ChD 62; *Re Flavel's Will Trusts, Coleman v Flavel* [1969] 2 All ER 232, [1969] 1 WLR 444; and see *Davis v Richards & Wallington Industries Ltd* [1991] 2 All ER 563, [1990] 1 WLR 1511. Where the assistance of the trustees, which is ultimately the assistance of the court of equity having jurisdiction in the matter, is necessary to complete the limitations expressed in the declaration of trust, the fact that the limitations were not completely declared by the disposer is sufficient evidence of his intention that they should be further modelled; but, where they have been completely declared by the disposer, there is no authority for interfering and making them different: *Austen v Taylor* supra at 368–369 per Henley, Lord Keeper. As to the general rules of interpretation of deeds and non-testamentary instruments see DEEDS AND OTHER INSTRUMENTS vol 13 (2007 Reissue) para 164 et seq; and as to wills see WILLS vol 50 (2005 Reissue) para 481 et seq.

5 *Re Ballance, Ballance v Lanphier* (1889) 42 ChD 62 at 65 per Kay J.

670. Object and limitation of interests. An executory trust may be declared for an object not at the time in existence[1].

In instruments coming into effect after 31 December 1925, an expression could not operate in equity so as to create an entailed interest in any real or personal property

unless it would have been effectual for that purpose in a deed, not being an executory instrument, coming into operation before 1 January 1926[2]. It has not been possible to create an entailed interest in real or personal property since 31 December 1996[3].

So far as possible, executory trusts are moulded by the court so as to carry out the disposer's intention without infringing the rule against perpetuities[4].

1 *A-G v Lady Downing* (1769) Amb 550 at 571–572.
2 See the Law of Property Act 1925 s 130(2) (repealed); and REAL PROPERTY vol 39(2) (Reissue) para 119.
3 See the Trusts of Land and Appointment of Trustees Act 1996 s 2, Sch 1 para 5; para 605 note 7 ante; and REAL PROPERTY vol 39(2) (Reissue) para 105; SETTLEMENTS vol 42 (Reissue) para 677.
4 See PERPETUITIES AND ACCUMULATIONS vol 35 (Reissue) para 1032.

671. Addition of ancillary trusts and powers. In creating the trusts directed by the disposer, equity may direct the insertion of such ancillary trusts and powers as may be necessary to effect his intention even though they may not have been expressly contemplated by him[1].

1 *Earl of Stamford v Hobart* (1710) 3 Bro Parl Cas 31, HL; *Horne v Barton* (1815) 19 Ves 398; *Brewster v Angell* (1820) 1 Jac & W 625; *Elton v Elton (No 2)* (1860) 27 Beav 634. The trustees will be treated as trustees under the Settled Land Act 1925: see *Re Garnett Orme and Hargreaves' Contract* (1883) 25 ChD 595; and SETTLEMENTS vol 42 (Reissue) para 750.

(iii) Secret Trusts

672. Creation of secret trusts. Secret trusts have commonly been regarded as a product of the principle that equity does not allow the statute which requires certain written formalities for the creation of interests in land to be used as an instrument of fraud[1]. More recent cases[2], however, appear to establish that there is no conflict with the Wills Act 1837 since the trust operates outside or, as it is said, dehors the will. Where the will is executed in proper form, X will be able to establish his legal title to the property; but, if the intention of the testator has been communicated to X by the testator in his lifetime, and X has acquiesced, his conscience will be bound in equity and he will be compelled to hold the property on trust for the persons or purposes indicated by the testator[3]. This trust is not regarded as a testamentary disposition coming within the Wills Act 1837 but as a trust within the ordinary equity jurisdiction.

A secret trust is a trust which a court of equity, proceeding on the ground of fraud, imposes on a person who has obtained title to property, for example by a gift by will[4], obliging him to hold it for the benefit of the persons for whom or purposes for which he knew that it was given or allowed to pass to him[5]. A fully secret trust arises where a testator gives property to a person apparently beneficially, but has communicated to that person during his lifetime certain trusts on which the property is to be held[6]. A half secret trust which will be enforced by the court arises where the fact that the property is given to the legatee upon trust is mentioned in the will but the trusts are not defined by the will[7]. If the will defines the trusts by reference to an earlier document, for example a letter, then the probate doctrine of incorporation by reference applies to treat the trusts of the earlier document as if set out in the will[8].

In order that there should be a valid fully secret trust, the testator's intention must be communicated to the donee during the testator's lifetime[9], whereas in the case of a half secret trust the communication must be prior to, or contemporaneous with, the will[10].

Uncommunicated wishes or expectations of the testator, even though written, are not sufficient[11]. A person may accept a secret trust either expressly or by silently acquiescing in it when communicated to him[12].

If the trustee of a fully secret trust renounces or dies in the testator's lifetime, the trust cannot operate[13]. If such an event occurs in relation to a half secret trust, equity will not allow the trust appearing on the face of the will to fail for want of a trustee, and therefore the personal representatives will hold on the half secret trusts if the terms of such trusts can be ascertained despite the trustee's death[14].

In either sort of secret trust, it seems that disclaimer after the testator's death will not invalidate the trust[15].

1 As to the principle that equity does not allow a statute to be made an instrument of fraud see EQUITY vol 16(2) (Reissue) paras 563–564.

2 *Re Snowden, Smith v Spowage* [1979] Ch 528, [1979] 2 All ER 172; *Re Gardner, Huey v Cunningham* [1923] 2 Ch 230; *Re Young, Young v Young* [1951] Ch 344, [1950] 2 All ER 1245.

3 See e g *Cullen v A-G for Ireland* (1866) LR 1 HL 190; *Blackwell v Blackwell* [1929] AC 318, HL. There will, of course, be no secret trust if the evidence shows that the testator intended to impose not a binding obligation, but a mere moral obligation on the alleged secret trustee: see *Kasperbauer v Griffith* [2000] WTLR 333, CA.

4 Although secret trusts usually have arisen in connection with gifts by will, the principle also applies where the owner of property refrains from making a will and so allows the property to pass as on an intestacy and perhaps to gifts made by settlement inter vivos: *Re Gardner, Huey v Cunningham* [1923] 2 Ch 230 at 233 per Romer J; *Re Tyler's Fund Trusts, Graves v King* [1967] 3 All ER 389, [1967] 1 WLR 1269 (doubted by Pennycuick J as to inter vivos dispositions); *Nichols v IRC* [1973] 3 All ER 632, [1974] 1 WLR 296 (affd [1975] 2 All ER 120, [1975] 1 WLR 534, CA). See also para 675 post.

5 See *McCormick v Grogan* (1869) LR 4 HL 82 at 88, 97; *Re Fleetwood, Sidgreaves v Brewer* (1880) 15 ChD 594 at 607; *Blackwell v Blackwell* [1929] AC 318 at 325, 335, 341, HL; *Re Young, Young v Young* [1951] Ch 344, [1950] 2 All ER 1245; *Re Snowden, Smith v Spowage* [1979] Ch 528, [1979] 2 All ER 172. See also EQUITY vol 16(2) (Reissue) paras 563–564; WILLS vol 50 (2005 Reissue) paras 509–511.

6 See para 673 et seq post.

7 *Blackwell v Blackwell* [1929] AC 318, HL. In such a case, although there may be no question of personal fraud on the part of the legatee, who in any case takes in a fiduciary capacity, it may be a fraud on the testator for the legatee to refuse to carry out the trust, and the residuary legatees cannot take advantage of and make themselves parties to such a fraud: *Blackwell v Blackwell* supra at 341–342.

8 *Re Edwards' Will Trusts, Dalgleish v Leighton* [1948] Ch 440, [1948] 1 All ER 821, CA; *Re Schintz's Will Trusts, Lloyds Bank Ltd v Moreton* [1951] Ch 870, [1951] 1 All ER 1095.

9 *Lomax v Ripley* (1855) 3 Sm & G 48; *Juniper v Batchelor* (1868) 19 LT 200; *Rowbotham v Dunnett* (1878) 8 ChD 430 at 439; *Re Boyes, Boyes v Carritt* (1884) 26 ChD 531; *Re King's Estate* (1888) 21 LR Ir 273 at 277; *Ottaway v Norman* [1972] Ch 698, [1971] 3 All ER 1325.

10 *Re Keen, Evershed v Griffiths* [1937] Ch 236, [1937] 1 All ER 452, CA; *Re Bateman's Will Trusts, Brierley v Perry* [1970] 3 All ER 817, [1970] 1 WLR 1463. In Australia, however, the courts have refused to apply the English rule and have held that a half secret trust can be communicated at any time before the testator's death, as in the case of a fully secret trust: *Legerwood v Perpetual Trustee Co Ltd* (1997) 41 NSWLR 532. Moreover, the English courts have refused to apply the rule to the analogous case of nomination under a life insurance policy: *Gold v Hill* [1999] 1 FLR 54.

11 *Wallgrave v Tebbs* (1855) 2 K & J 313; *Carter v Green* (1857) 3 K & J 591; *McCormick v Grogan* (1869) LR 4 HL 82; *Littledale v Bickersteth* (1876) 24 WR 507; *Scott v Brownrigg* (1881) 9 LR Ir 246; *Re King's Estate* (1888) 21 LR Ir 273 at 277.

12 *Paine v Hall* (1812) 18 Ves 475; *Lomax v Ripley* (1855) 3 Sm & G 48 at 73 per Stuart V-C; *Tee v Ferris* (1856) 2 K & J 357 at 363–364; *Jones v Badley* (1868) 3 Ch App 362, CA; *Springett v Jenings* (1870) LR 10 Eq 488 (on appeal (1871) 6 Ch App 333); *Rowbotham v Dunnett* (1878) 8 ChD 430; *Re King's Estate* (1888) 21 LR Ir 273 at 277 per Monroe J; *Ottaway v Norman* [1972] Ch 698, [1971] 3 All ER 1325.

13 *Re Maddock, Llewelyn v Washington* [1902] 2 Ch 220 at 231, CA, per Cozens-Hardy LJ; contra *Blackwell v Blackwell* [1929] AC 318 at 328, HL, per Lord Buckmaster.

14 Cf *Mallott v Wilson* [1903] 2 Ch 494.

15 See *Blackwell v Blackwell* [1929] AC 318 at 328, HL, per Lord Buckmaster, and at 341 per Lord Warrington of Clyffe.

673. Evidence to establish a secret trust and effect of establishment. The evidence establishing a secret trust must be clear and distinct[1]. Where the existence of a secret trust is admitted, the donee[2], or even his solicitor[3], may be compelled to give evidence of its terms, and, if it is not admitted by the donee, it may be proved by other means[4].

Where a testator makes or leaves unrevoked a devise or bequest on the faith of a promise, whether express or tacit, on the donee's part that he will carry out the testator's intentions and the gift is on the face of it absolute, equity will admit evidence as to the testator's intentions and as to the communication of them to, and the acquiescence of, the donee; and will compel the donee, as being a trustee, to carry out the testator's intentions[5], unless they are such as are prohibited by law[6]. Where no fully secret trust is established, the donee is entitled beneficially[7].

Where it appears from the face of a will that the donee was only intended to take as a trustee[8], extrinsic evidence of the objects of the trust is admissible[9].

Where a person has fraudulently induced a conveyance of land, extrinsic evidence is admissible to show that he holds upon a trust and to show the trust upon which he holds, as the exclusion of such evidence would result in the effectuation of a fraud[10].

1 *McCormick v Grogan* (1869) LR 4 HL 82. As to the requirement of clear and cogent evidence to establish the existence of a secret trust: see *Day v Day* [2005] EWHC 1455 (Ch) at [51], [2005] All ER (D) 268 (Jun) at [51] per Deputy Judge Launcelot Henderson QC. According to Megarry V-C in *Re Snowden, Smith v Spowage* [1979] Ch 528 at 537, [1979] 2 All ER 172 at 179, the standard of proof is the ordinary standard of proof in civil cases (not following *Ottaway v Norman* [1972] Ch 698 at 712, [1971] 3 All ER 1325 at 1330, where the higher standard applicable to rectification of deeds had been suggested by Brightman J), although, if personal fraud on the legatee's part were involved, a higher standard of proof would be required, as for civil claims based on fraud. Thus it may be that, if the intention to create a trust has been proved on the balance of probabilities, proof at a higher standard is required if the existence of that trust would reveal the legatee to be fraudulent. See also *Margulies v Margulies* [2000] All ER (D) 344, 2 ITELR 641, CA; *Davis v Davis* [2001] All ER (D) 352 (May). See further *R v Fuller* [2005] EWCA Crim 825, [2006] WTLR 863, [2005] All ER (D) 258 (Apr) (the court inferred an interest under a secret trust to allow a confiscation order to be made following a money laundering conviction).

2 *Stickland v Aldridge* (1804) 9 Ves 516; cf *Muckleston v Brown* (1801) 6 Ves 52. See also note 5 infra.

3 *Russell v Jackson* (1851) 9 Hare 387.

4 *Edwards v Pike* (1759) 1 Eden 267.

5 *Wallgrave v Tebbs* (1855) 2 K & J 313; *Moss v Cooper* (1861) 1 John & H 352; *Jones v Badley* (1868) 3 Ch App 362, CA; *McCormick v Grogan* (1869) LR 4 HL 82. Where a deceased spouse has bequeathed property to the surviving spouse and it is sought to establish a secret trust in favour of a particular person, the surviving spouse may be compelled to give evidence as to communications made between the spouses during their marriage: *Shenton v Tyler* [1939] Ch 620, [1939] 1 All ER 827, CA.

6 *Muckleston v Brown* (1801) 6 Ves 52; *Stickland v Aldridge* (1804) 9 Ves 516; *Russell v Jackson* (1852) 10 Hare 204; *Tee v Ferris* (1856) 2 K & J 357; *Springett v Jenings* (1871) 6 Ch App 333; *Rowbotham v Dunnett* (1878) 8 ChD 430. As to trusts prohibited by law see para 678 et seq post.

7 See para 676 post.

8 As to the circumstances in which undefined trusts are enforceable see para 677 post.

9 *Blackwell v Blackwell* [1929] AC 318, HL. See also *Re Fleetwood, Sidgreaves v Brewer* (1880) 15 ChD 594; *Re Huxtable, Huxtable v Crawfurd* [1902] 2 Ch 793, CA; *Re Young, Young v Young* [1951] Ch 344, [1950] 2 All ER 1245; and para 677 text and note 7 post.

10 *Booth v Turle* (1873) LR 16 Eq 182; *Re Duke of Marlborough, Davis v Whitehead* [1894] 2 Ch 133; *Rochefoucauld v Boustead* [1897] 1 Ch 196, CA (foreign land). The principle also applies where, although the conveyance itself is not fraudulently obtained, fraud arises in setting up the absolute character of the conveyance to defeat the beneficial interest: *Bannister v Bannister* [1948] 2 All ER 133, CA; *Lyus v Prowsa Developments Ltd* [1982] 2 All ER 953, [1982] 1 WLR 1044; cf *Dillwyn v Llewelyn* (1862) 4 De GF & J 517.

674. Gifts to several on secret understanding with one. The tacit or explicit acceptance of a trust by one of several tenants in common does not affect the others to whom no communication of the testator's intention has been made[1]. Where, however, there is a gift to two or more persons as joint tenants and the gift is made on the antecedent promise of some but not all of the donees, all are bound[2]. Where a gift to two or more persons as joint tenants is left unrevoked on the faith of the subsequent promise of some but not all of the donees, only those who gave the promise are bound[3].

1 *Tee v Ferris* (1856) 2 K & J 357; *Rowbotham v Dunnett* (1878) 8 ChD 430 at 437; *Re Stead, Witham v Andrew* [1900] 1 Ch 237 at 241 per Farwell J. See also *Geddis v Semple* [1903] 1 IR 73. The reason is that

otherwise one beneficiary, by setting up a secret trust, could deprive the rest of their benefits: *Tee v Ferris* supra at 368; *Re Stead, Witham v Andrew* supra at 241.

2 *Russell v Jackson* (1852) 10 Hare 204; *Jones v Badley* (1868) 3 Ch App 362, CA; *Re Stead, Witham v Andrew* [1900] 1 Ch 237 at 240–241 per Farwell J; *Re Young, Young v Young* [1951] Ch 344, [1950] 2 All ER 1245. The reason is that no person can claim an interest under a fraud committed by another: *Re Stead, Witham v Andrew* supra at 241.

3 *Burney v Macdonald* (1845) 15 Sim 6; *Moss v Cooper* (1861) 1 John & H 352; *Re Stead, Witham v Andrew* [1900] 1 Ch 237 at 241 per Farwell J. The reason is that the gift is not tainted with any fraud in procuring the execution of the will: *Re Stead, Witham v Andrew* supra at 241. It may be argued that the authorities can be construed so that, if the gift to one was actually induced by the other's promise to the testator, then that one is bound but not otherwise: see Perrins 'Can you Keep Half a Secret?' (1972) 88 LQR 225.

675. Secret trusts in relation to intestacies, joint property and powers of appointment. Where a person refrains from disposing of property by his will in reliance on a promise to deal with the property in accordance with the disclosed intentions of the potential testator, given by a person who at the date of the promise would, if he survived the potential testator, be entitled to the property by reason of the intestacy of the potential testator, that other person and those claiming under him will be required to give effect to those intentions[1]. In such a case it has been held that, when the property in fact devolves upon that person by reason of the intestacy, he is, and those claiming under him are, in the same position as if immediately after the promise he had executed a declaration of trust binding himself to hold any property coming to him by reason of the intestacy upon the trusts communicated to him by the deceased; and, accordingly, a gift to a beneficiary under those trusts does not fail by reason of the death of the beneficiary after the communication but before the death of the potential testator[2]. This overlooks the point that there cannot be a valid declaration of trust of a mere hope of acquiring property in the future[3]. The secret trust is only completely constituted on the death of the potential testator intestate, so a predeceasing beneficiary's interest should, in principle, lapse[4].

Where a general power of appointment by the exercise of which a tenant for life could defeat the interests of certain remaindermen is reinstated, for example by revocation of a codicil, upon the promise of the donee of the power not to exercise it so as to defeat the interests of those remaindermen, an appointment by the donee which results in the defeat of those interests will not be allowed by the court to stand and is wholly invalid and inoperative[5].

Where an interest in property held as beneficial joint tenant passes to the surviving joint tenant who has accepted a trust to deal with the interest in accordance with instructions, the surviving joint tenant will be required to give effect to those instructions[6].

1 *Re Gardner, Huey v Cunnington* [1920] 2 Ch 523, CA.

2 *Re Gardner, Huey v Cunningham* [1923] 2 Ch 230. The same reasoning, it is conceived, applies where there is a gift by will and a beneficiary under the secret trust dies in the lifetime of the testator.

3 *Williams v IRC* [1965] NZLR 395, NZ CA. See also *Re Ellenborough, Tourry Law v Burne* [1903] 1 Ch 697; *Re Northcliffe, Arnholz v Hudson* [1925] Ch 651; and para 654 ante.

4 As to the lapse of gifts by will see WILLS vol 50 (2005 Reissue) para 450 et seq.

5 *Tharp v Tharp* [1916] 1 Ch 142 at 151–153 per Neville J; on appeal [1916] 2 Ch 205, CA. See also POWERS vol 36(2) (Reissue) para 366.

6 *Healey v Brown* [2002] EWHC 1405 (Ch), [2002] WTLR 849, 4 ITELR 894.

676. Fully secret trusts where the donee takes absolutely. Where, in the case of a gift which is on the face of it absolute, the intended secret trusts cannot take effect or are not communicated to the donee or are not assented to by him, the donee holds for his own benefit[1]. Similarly, where the trusts relate to part only of the gift, the donee

takes absolutely subject to the performance of the trusts, the benefits under the trusts being treated as legacies carrying interest at the rate of six per cent per annum from the first anniversary of the testator's death[2].

If a testator gives property to his executors with the request that they will dispose of it in accordance with any memorandum signed by him, and directs that any such memorandum is not to form part of his will or to have any testamentary character and that the expression of his wishes, even if communicated in his lifetime, is not to create a trust or legal obligation, the executors take absolutely, the bargain between them and the testator being that they should so take[3].

1 *Jones v Badley* (1868) 3 Ch App 362, CA; *McCormick v Grogan* (1869) LR 4 HL 82; *Re Downing's Residuary Estate* (1888) 60 LT 140; *Re Pitt Rivers, Scott v Pitt Rivers* [1902] 1 Ch 403, CA (where a testator who had established and maintained a museum and park for the benefit of the public devised it and an annuity of £300 for maintenance to his son, intending his son to allow the public access as before, and the son accepted the devise, and it was held that there was no enforceable trust on the ground that the testator intended no rights to be acquired by the public). See also *Lomax v Ripley* (1855) 3 Sm & G 48; *Baldwin v Baldwin* (1856) 22 Beav 413; *Wheeler v Smith* (1859) 29 LJ Ch 194.

2 *Irvine v Sullivan* (1869) LR 8 Eq 673.

3 *Re Falkiner, Mead v Smith* [1924] 1 Ch 88 (distinguishing *Re Spencer's Will* (1887) 3 TLR 822, CA); *Re Stirling, Union Bank of Scotland Ltd v Stirling* [1954] 2 All ER 113, [1954] 1 WLR 763. See also *Re Schar, Midland Bank Executor and Trustee Co Ltd v Damer* [1951] Ch 280, [1950] 2 All ER 1069.

677. Half secret trusts where the will refers to but does not define the trusts. Where property is given by will to persons upon trusts which are referred to in, but undefined by, the will, the trustees cannot take beneficially[1], and the question whether the trustees hold the property in trust for the persons claiming under the undefined trusts, or in trust for the residuary legatees of the testator or the persons entitled on the footing of an intestacy, as the case may be, has been the subject of many judicial decisions[2]. It is, however, now settled[3] that trusts which are referred to in, but are not defined by, the will are enforceable if, but only if:

(1) they are described in the will as having been defined and communicated prior to or contemporaneously with the will[4]; and

(2) it is proved that they were so defined and were so communicated in accordance with the terms of the will[5].

If in a will the reference to the undefined trusts is not restricted to trusts defined and communicated prior to or contemporaneously with the will, the trusts are unenforceable, for a testator cannot confer on himself the power of making future unwitnessed testamentary dispositions by naming trustees and leaving the objects of the trusts to be supplied afterwards[6].

Oral evidence is not allowed to contradict the will, and therefore a legatee appearing as trustee on the face of the will cannot produce evidence to show that he was intended to take some of the legacy beneficially[7].

There is no general agreement as to whether secret trusts are express or constructive[8]. One view is that both fully secret and half secret trusts are express trusts, being based on the express intention of the testator communicated to and acquiesced in by the secret trustee. On this basis it has been held[9] that a half secret trust must comply with the statutory formalities[10]. More recently a fully secret trust of land was apparently held to be a constructive trust[11] and held valid on parol evidence[12].

1 See e g *Re Boyes, Boyes v Carritt* (1884) 26 ChD 531.

2 If it appears from the face of the will that the donee was intended to take only as a trustee and not beneficially, a resulting trusts arises, if the objects of the trust are not established, in favour of the persons who would have been entitled to the subject matter of the gift if the will had contained no such disposition in favour of the donee: *Ommanney v Butcher* (1823) Turn & R 260 at 270. See also *Re Pugh's Will Trusts, Marten v Pugh* [1967] 3 All ER 337, [1967] 1 WLR 1262.

3 *Blackwell v Blackwell* [1929] AC 318, HL, in which the decision of Hall V-C in *Re Fleetwood, Sidgreaves v Brewer* (1880) 15 ChD 594 (as to the correctness of which Lord Dunedin and Lord Parker in *Le Page v Gardom* (1915) 84 LJ Ch 749 at 752–753, HL, and Warrington LJ in *Re Gardner, Huey v Cunnington* [1920] 2 Ch 523 at 532, CA, reserved their opinions) was followed, and the decision in *Re Huxtable, Huxtable v Crawfurd* [1902] 2 Ch 793, CA, was treated as following that in *Re Fleetwood, Sidgreaves v Brewer* supra.

4 *Re Keen, Evershed v Griffiths* [1937] Ch 236, [1937] 1 All ER 452, CA. See also *Johnson v Ball* (1851) 5 De G & Sm 85. Cf *Blackwell v Blackwell* [1929] AC 318 at 339, 342, HL; *Re Cooper, Le Neve-Foster v National Provincial Bank Ltd* [1939] Ch 811, [1939] 3 All ER 586, CA (where the original legacy given on the secret trusts was increased by a later will, and the increase was not communicated); *Re Schintz's Will Trusts, Lloyds Bank Ltd v Moreton* [1951] Ch 870, [1951] 1 All ER 1095.

5 *Re Keen, Evershed v Griffiths* [1937] Ch 236 at 248, [1937] 1 All ER 452 at 460, CA. See also *Blackwell v Blackwell* [1929] AC 318 at 341, HL, per Lord Warrington. Cf *Re Gardom, Le Page v A-G* [1914] 1 Ch 662 at 673 per Eve J. Communication must accord with the terms of the will so that a gift to four persons 'to be dealt with in accordance with my wishes which I have made known to them' does not create a half secret trust unless the wishes were communicated to all four: *Re Spence, Quick v Ackner* [1949] WN 237. In *Re Keen, Evershed v Griffiths* supra the expression 'to them or either of them' was used in the will.

6 *Johnson v Ball* (1851) 5 De G & Sm 85; *Riordan v Banon* (1876) IR 10 Eq 469; *Re Boyes, Boyes v Carritt* (1884) 26 ChD 531; *Re Hetley, Hetley v Hetley* [1902] 2 Ch 866; *Re Keen, Evershed v Griffiths* [1937] Ch 236, [1937] 1 All ER 452, CA. See also *Blackwell v Blackwell* [1929] AC 318 at 331, 339, HL; *Re Bateman's Will Trusts, Brierley v Perry* [1970] 3 All ER 817, [1970] 1 WLR 1463. The principle of these cases applies a fortiori where it is apparent from the will that the testator had not then decided on the trusts: see *Re Hawksley's Settlements, Black v Tidy* [1934] Ch 384.

7 *Re Rees, Williams v Hopkins* [1950] Ch 204, [1949] 2 All ER 1003, CA.

8 See Snell's Equity (31st Edn, 2005) p 559.

9 *Re Baillie, Fitzgerald v Noad* (1886) 2 TLR 660 at 661. However, although there may be no question of the trustee personally benefiting, it could still be said to be fraudulent if, despite his agreement to hold for the secret beneficiaries, the trustee claims to hold on a resulting trust. See also para 644 ante.

10 Ie the requirement under the Law of Property Act 1925 s 53(1): see para 644 ante; and DEEDS AND OTHER INSTRUMENTS. As to constructive trusts generally see paras 625 ante, 687 et seq post.

11 The provisions of ibid s 53 do not affect the creation or operation of constructive trusts: see s 53(2). See also DEEDS AND OTHER INSTRUMENTS.

12 *Ottaway v Norman* [1972] Ch 698, [1971] 3 All ER 1325.

(iv) Illegality, Fraud and Dispositions Contrary to Public Policy

678. Immoral and illegal trusts. On the principle that equity follows the law, a trust cannot be enforced in equity if it is created for an object or purpose in favour of which a direct gift or a contract cannot be enforced in law on the ground of being immoral or otherwise contrary to public policy or illegal[1].

1 *Hamilton v Waring* (1820) 2 Bligh 196 at 209, HL; *Benyon v Nettlefold* (1850) 3 Mac & G 94; *Brown v Burdett* (1882) 21 ChD 667; *Thompson v Thomas* (1891) 27 LR Ir 457; *Morley v Rennoldson* [1895] 1 Ch 449, CA; *Phillips v Probyn* [1899] 1 Ch 811; *Blathwayt v Baron Cawley* [1976] AC 397, [1975] 3 All ER 625, HL. See also *Trustees of Church Property of the Diocese of Newcastle v Ebbeck* (1960) 104 CLR 394, [1961] ALR 339, Aust HC. As to contracts which are void for illegality see CONTRACT vol 9(1) (Reissue) para 836 et seq. As to trusts in restraint of alienations see para 743 post; and PERSONAL PROPERTY vol 35 (Reissue) paras 1268–1269. As to the circumstances in which the disposer cannot take advantage of the illegality of the trust to claim a resulting trust for himself see *Tinsley v Milligan* [1994] 1 AC 340, [1993] 3 All ER 65, HL; and para 682 post. In highly exceptional cases a trust which was initially valid might become invalid on public policy grounds where the whole express purpose of the trust became contrary to public policy: *Re Abacus (CI) Ltd (Trustee of the Esteem Settlement), Grupo Torras SA v Al Sabah* [2003] JRC 092 at [130], [2004] WTLR 1 at [130], 6 ITELR 368 at [130] per Deputy Bailiff Birt.

679. Discretionary trusts. A discretionary trust for a variety of alternative objects or purposes, some legal and some illegal, according as the trustees may select, is valid so far as respects the legal objects or purposes, and the trustees may exercise their discretionary selection in respect of the objects or purposes which are legal, but they

cannot validly do so in respect of those which are illegal[1]. The alternative discretion in favour of the legal objects must, however, be clearly conferred[2].

If, however, the whole fund is given on a valid trust, for example for a charitable purpose subject to a trust, charge or direction which is not legally binding or an invalid trust or a trust which fails superimposed on it, the basic valid trust stands[3]. If part of a fund is given for an invalid purpose and the residue or surplus is given on a valid trust, then the trust of the residue or surplus will be good if it is possible (for example, by directing an inquiry) to ascertain how much was intended for the invalid purpose and thus to ascertain the amount of the residue or surplus[4]. If there is a primary gift for an invalid purpose, coupled with a gift of any surplus[5] on a valid trust, the gift of surplus will fail, as well as the primary gift, if it is impossible to ascertain how much was intended to be applied to the invalid purpose and that purpose might absorb the whole gift[6].

Apart from the provisions of the Perpetuities and Accumulations Act 1964, a discretionary trust which may possibly last longer than the perpetuity period is void[7].

1 *Sorresby v Hollins* (1740) 9 Mod Rep 221; *Grimmett v Grimmett* (1754) Amb 210; *Faversham Corpn v Ryder* (1854) 5 De GM & G 350; *London University v Yarrow* (1857) 1 De G & J 72; *Carter v Green* (1857) 3 K & J 591; *Lewis v Allenby* (1870) LR 10 Eq 668; *Re Piercy, Whitwham v Piercy* [1898] 1 Ch 565, CA (overruling *Johnston v Swann* (1818) 3 Madd 457 and *Baker v Sutton* (1836) 1 Keen 224, so far as inconsistent with *Lewis v Allenby* supra). As to the special rates of tax under discretionary trusts of income see INCOME TAXATION vol 23(2) (Reissue) para 1566.

2 *Re Clark, Husband v Martin* (1885) 54 LJ Ch 1080.

3 *Fisk v A-G* (1867) LR 4 Eq 521; *Hunter v Bullock* (1872) LR 14 Eq 45; *Dawson v Small* (1874) LR 18 Eq 114; *Re Williams* (1877) 5 ChD 735; *Re Birkett* (1878) 9 ChD 576 at 581 (cases where the superimposed trusts were for the repair of tombs); *Kelly v A-G* [1917] 1 IR 183 (where the superimposed trusts were for the erection of a chapel and parish house); *Re Parnell, Ranks v Holmes* [1944] Ch 107; *Re Coxen, McCallum v Coxen* [1948] Ch 747, [1948] 2 All ER 492; and see *Re Taylor, Martin v Freeman* (1888) 58 LT 538 at 542. See also CHARITIES vol 5(2) (2001 Reissue) para 79. In *Re Birkett* supra at 578–579, Jessel MR said that, if there had been no authorities to the contrary, he would have held that the gift to charity was effective only as regards the surplus after the amount required for the invalid trust had been ascertained and deducted (cf the text and note 4 infra). See also *Re Porter, Porter v Porter* [1925] Ch 746 at 751, where Eve J refused to extend the principle applied in the cases where the invalid trusts related to the repair of tombs to a case where the invalid trust was for the erection and maintenance of a masonic temple.

4 *Fisk v A-G* (1867) LR 4 Eq 521; *Champney v Davy* (1879) 11 ChD 949 at 954; *Re Vaughan, Vaughan v Thomas* (1886) 33 ChD 187 at 194; cf *Re Rigley's Trusts* (1866) 15 WR 190 (inquiry directed).

5 A distinct general residuary bequest into which property invalidly bequeathed will fall is not a gift of the surplus for this purpose: see eg *Mitford v Reynolds* (1848) 16 Sim 105 at 119.

6 *Chapman v Brown* (1801) 6 Ves 404 at 410–411; *Limbrey v Gurr* (1819) 6 Madd 151; *A-G v Hinxman* (1820) 2 Jac & W 270; *Cramp v Playfoot* (1858) 4 K & J 479; *Fowler v Fowler* (1864) 33 Beav 616; *Re Vaughan, Vaughan v Thomas* (1886) 33 ChD 187; *Re Taylor, Martin v Freeman* (1888) 58 LT 538; *Re Porter, Porter v Porter* [1925] Ch 746 at 752. See also CHARITIES vol 5(2) (2001 Reissue) para 79.

7 See PERPETUITIES AND ACCUMULATIONS vol 35 (Reissue) para 1031.

680. Voidable trusts. Where a settlor has become bankrupt, the trustee of the bankrupt's estate may be able to recover the trust property for the benefit of the creditors.

Where a person is adjudged bankrupt and he has at a relevant time[1] entered into a transaction with any person at an undervalue[2], the trustee of the bankrupt's estate may apply to the court for an order requiring any property transferred or property representing the proceeds of sale of property so transferred as part of the transaction to be vested in the trustee of the bankrupt's estate as part of that estate[3]. Similar provisions apply where an individual has given a preference to any person[4]. Similar orders may be made[5], whether or not insolvency proceedings have been taken, by specified persons[6] where a transaction at an undervalue[7] has been made with the purpose of putting assets beyond the reach of a person who is making or may make a claim[8].

A trust, whether voluntary or not, may be set aside at the suit of the creator of the trust if it is made in consequence of fraud[9], duress[10] or undue influence[11].

1 For the meaning of 'relevant time' see BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 660.
2 For the meaning of 'transaction at an undervalue' see BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 654.
3 As to the orders available see the Insolvency Act 1986 s 342 (as amended); and BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 661.
4 See ibid ss 340–342 (ss 341, 342 as amended); and BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 653 et seq.
5 As to the orders available see ibid s 425; and BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 666.
6 See ibid s 424 (as amended); and BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 665.
7 See ibid s 423(1) (as amended); and BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 664.
8 As to the precise intention see ibid s 423(3); *IRC v Hashmi* [2002] EWCA Civ 981, [2002] 2 BCLC 489, [2002] WTLR 1027; and BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 664. While the Insolvency Act 1986 s 423 requires prejudice or potential prejudice to the interests of the claimant, that prejudice does not have to be achieved by the purpose by which the transaction was entered into: *Hill v Spread Trustee Co Ltd* [2006] EWCA Civ 542 at [101], [2007] 1 All ER 1106 at [101] per Arden LJ.
9 See EQUITY vol 16(2) (Reissue) para 412 et seq; GIFTS vol 20(1) (Reissue) para 60; MISREPRESENTATION AND FRAUD vol 31 (2003 Reissue) para 838 et seq.
10 See CONTRACT vol 9(1) (Reissue) para 709; EQUITY vol 16(2) (Reissue) para 436.
11 See MISREPRESENTATION AND FRAUD vol 31 (2003 Reissue) para 839 et seq. See also GIFTS vol 20(1) (Reissue) para 60.

681. Ineffectiveness of certain trusts for reducing tax liability. Income which arises under a settlement[1] during the life of the settlor[2] is treated for all purposes of the income tax legislation as the income of the settlor alone and not as the income of any other person if it arises from property in which the settlor has an interest[3]. A settlor is treated as having an interest in property if there are any circumstances[4] in which the property or any related property[5] is, or will or may become, payable to or applicable for the benefit of the settlor or his spouse or civil partner[6].

Income which arises under a settlement which does not fall to be treated as income of the settlor under the above provisions but which during the life of the settlor is paid to or for the benefit of[7] a relevant child[8] of the settlor in any tax year is treated for income tax purposes as the income of the settlor alone for that year[9].

Certain capital sums[10] paid directly or indirectly in any tax year by the trustees of a settlement to the settlor will be treated as income of a settlor for the tax year[11], as will certain capital sums paid to the settlor in a tax year by any body corporate connected with the settlement[12] in that year where an associated payment[13] has been, or is, made directly or indirectly to the body by the trustees of the settlement[14].

1 For these purposes, 'settlement' includes any disposition, trust, covenant, agreement, arrangement or transfer of assets (other than a charitable loan arrangement): see Income Tax (Trading and Other Income) Act 2005 s 620(1); and INCOME TAXATION. For these purposes, 'charitable loan arrangement' means any arrangement so far as it consists of a loan of money made by an individual to a charity either: (1) for no consideration; or (2) for a consideration which consists only of interest; and 'charity' includes each of the bodies mentioned in the Income and Corporation Taxes Act 1988 s 507 (see INCOME TAXATION vol 23(2) (Reissue) para 1175): Income Tax (Trading and Other Income) Act 2005 s 620(5); and INCOME TAXATION.
2 For these purposes, 'settlor' in relation to a settlement means any person by whom the settlement was made: see ibid s 624(1); and INCOME TAXATION.
3 See ibid s 624(1); and INCOME TAXATION. See also SETTLEMENTS vol 42 (Reissue) para 619 et seq. Certain income is excluded by s 626 and s 627: see INCOME TAXATION.
4 This is subject to the exceptions contained in ibid s 625(2): see INCOME TAXATION.

5 In relation to any property, 'related property' means income from that property or any other property directly or indirectly representing proceeds of, or of income from, that property or income from it: see ibid s 625(5); and INCOME TAXATION.

6 See ibid s 625(1) (as amended): and INCOME TAXATION. Certain persons are excluded from the meaning of 'settlor's spouse or civil partner': see s 625(4) (as amended); and INCOME TAXATION.

7 Or would otherwise be treated (apart from ibid s 629) as income of an unmarried minor child of the settlor: see s 629(1)(b); and INCOME TAXATION.

8 'Child' includes a stepchild: see ibid s 629(7)(a); and INCOME TAXATION. 'Relevant child' means a minor child who is unmarried or not in a civil partnership: see s 629(7)(d) (as added); and INCOME TAXATION. 'Minor' means a person under the age of 18 years: see s 629(7)(b); and INCOME TAXATION.

9 See ibid s 629(1), (2) (as amended); and INCOME TAXATION. As to income retained or accumulated by the trustees see s 631 (as amended); and INCOME TAXATION. As to offshore income gain see s 632; and INCOME TAXATION. As to the disregard of sums not exceeding in total £100 see s 629(3); and INCOME TAXATION.

10 For these purposes, 'capital sum' means any sum paid by way of loan or repayment of a loan, and any other sum which is paid otherwise than as income and is not paid for full consideration in money or money's worth: ibid s 634(1).

11 See ibid s 633; and INCOME TAXATION.

12 For these purposes, a body corporate is treated as connected with a settlement in any tax year if at any time in that year: (1) it is a close company (or only is not a close company because it is non-UK resident) and the participators then include the trustees of the settlement; or (2) it is controlled by a company falling within head (1) supra: ibid s 637(8); and INCOME TAXATION.

13 For these purposes 'associated payment', in relation to any capital sum paid to the settlor by a body corporate, means:

(1) any capital sum paid to the body by the trustees of the settlement; and

(2) any other sum paid, or asset transferred, to the body by the trustees which is not paid or transferred for full consideration in money or money's worth,

being any sum paid, or asset transferred, in the five years ending or beginning with the date on which the capital sum is paid to the settlor: see ibid s 643(3); and INCOME TAXATION.

14 See ibid s 641(1); and INCOME TAXATION.

682. Property put into another's name for an illegal purpose. It is clearly established at common law that: (1) property in chattels and land can pass under a contract which is illegal and therefore would have been unenforceable as a contract; (2) a claimant can at law enforce property rights so acquired provided that he does not need to rely on the illegal contract for any purpose other than providing the basis of his claim to a property right; and (3) it is irrelevant that the illegality of the underlying agreement was either pleaded or emerged in evidence: if the claimant has acquired legal title under the illegal contract, that is enough[1].

In equity there are many authorities to support the proposition that equity will not aid a claimant who has transferred property to another, or purchased property in the name of another, for an illegal purpose[2], although it seems that he could recover if he repented before the illegal purpose was carried out[3]. The House of Lords has held that, as the law has developed, the equitable principle has become elided into the common law rule[4]. The rule is the same whether a claimant founds himself on a legal or equitable title: he is entitled to recover if he is not forced to plead or rely on the illegality; so a claimant can rely on a resulting trust arising from contributions made to the purchase price of an asset, even if it emerges that the title on which he relied was acquired in the course of carrying through an illegal transaction. The test is whether of necessity reliance is placed by the claimant on the illegality in proving his claim[5].

The majority of the more recent equity cases have been ones in which the presumption of advancement applied[6]. In such cases the claimant is faced with the presumption of gift and can only recover if he brings evidence which rebuts the presumption and shows that no gift was intended[7]. He cannot rely on evidence of an illegal purpose unless he has withdrawn from the transaction before the illegal purpose has been wholly or partly carried into effect[8]. Unless and until the illegal purpose begins to be carried into effect it is sometimes said that he has a locus poenitentiae[9].

1 See *Feret v Hill* (1854) 15 CB 207; *Taylor v Chester* (1869) LR 4 QB 309; *Alexander v Rayson* [1936] 1 KB 169, CA; *Bowmakers Ltd v Barnet Instruments Ltd* [1945] KB 65, [1944] 2 All ER 579, CA; *Tinsley v Milligan* [1994] 1 AC 340, [1993] 3 All ER 65, HL, applied in *Lowson v Coombes* [1999] Ch 373, [1999] 2 WLR 720, CA (where a married man bought a house jointly with his mistress, but it was conveyed into her sole name with the illegal purpose of frustrating any potential claim by his wife under the Matrimonial Causes Act 1973 s 37(2)(b) (see MATRIMONIAL LAW vol 29(3) (Reissue) para 832)); *Webb v Chief Constable of Merseyside Police* [2000] QB 427, [2000] 1 All ER 209, CA. The court will not give its assistance to the enforcement of executory provisions of an unlawful contract: *Tinsley v Milligan* supra; *Birkett v Acorn Business Machines Ltd* [1999] 2 All ER (Comm) 429, CA.

2 *Cottington v Fletcher* (1740) 2 Atk 155; *Birch v Blagrave* (1755) Amb 264; *Holman v Johnson* (1775) 1 Cowp 341; *Muckleston v Brown* (1801) 6 Ves 52; *Curtis v Perry* (1802) 6 Ves 739; *Ex p Yallop* (1808) 15 Ves 60; *Roberts v Roberts* (1818) Dan 143; *Groves v Groves* (1829) 3 Y & J 163; *Childers v Childers* (1857) 3 K & J 310; *Re Great Berlin Steamboat Co* (1884) 26 ChD 616, CA; *Crichton v Crichton* [1896] 1 Ch 870, CA; *Gascoigne v Gascoigne* [1918] 1 KB 223; *McEvoy v Belfast Banking Co Ltd* [1934] NI 67 at 92, CA; *Re Emery's Investments Trusts, Emery v Emery* [1959] Ch 410, [1959] 1 All ER 577; *Chettiar v Chettiar* [1962] AC 294, [1962] 1 All ER 494, PC; *Tinker v Tinker* [1970] P 136, [1970] 1 All ER 540, CA (distinguished in *Lowson v Coombes* [1999] Ch 373, [1999] 2 WLR 720, CA). It seems that *Cantor v Cox* (1975) 239 Estates Gazette 121 has been disapproved: see *Tinsley v Milligan* [1994] 1 AC 340, [1993] 3 All ER 65, HL; *Lowson v Coombes* supra. See also the dissenting judgment of Lord Goff of Chieveley in *Tinsley v Milligan* supra at 351 et seq and 68 et seq.

3 *Davies v Otty (No 2)* (1865) 35 Beav 208; *Symes v Hughes* (1870) LR 9 Eq 475; *Taylor v Bowers* (1876) 1 QBD 291, CA; *Barclay v Pearson* [1893] 2 Ch 154; *Hermann v Charlesworth* [1905] 2 KB 123, CA; *Petherpermal Chetty v Muniandy Servai* (1908) 24 TLR 462, PC; *Rowan v Dann* (1991) 64 P & CR 202, CA.

4 *Tinsley v Milligan* [1994] 1 AC 340, [1993] 3 All ER 65, HL; applied in *Lowson v Coombes* [1999] Ch 373, [1999] 2 WLR 720, CA.

5 *Silverwood v Silverwood* (1997) 74 P & CR 453, CA, applying *Tinsley v Milligan* [1994] 1 AC 340, [1993] 3 All ER 65, HL. See also *Lowson v Coombes* [1999] Ch 373, [1999] 2 WLR 720, CA.

6 See *Gascoigne v Gascoigne* [1918] 1 KB 223; *McEvoy v Belfast Banking Co Ltd* [1934] NI 67 at 92, CA; *Re Emery's Investments Trusts, Emery v Emery* [1959] Ch 410, [1959] 1 All ER 577; *Chettiar v Chettiar* [1962] AC 294, [1962] 1 All ER 494, PC; *Tinker v Tinker* [1970] P 136, [1970] 1 All ER 540, CA (distinguished in *Lowson v Coombes* [1999] Ch 373, [1999] 2 WLR 720, CA).

7 See *Tinsley v Milligan* [1994] 1 AC 340, [1993] 3 All ER 65, HL; *Tribe v Tribe* [1996] Ch 107, [1995] 4 All ER 236, CA. See also *Collier v Collier* [2002] EWCA Civ 1095, [2003] WTLR 617 (where the claimant had to bring evidence of an illegal purpose to rebut an alleged express agreement and where Mance LJ at [97] and [105] was critical of the importance attached to the presumption of advancement); *Ali v Khan* [2002] EWCA Civ 974 at [29]–[31], 5 ITELR 232 at [29]–[31] per Morritt V-C (purpose was held not to be illegal).

8 *Tribe v Tribe* [1996] Ch 107, [1995] 4 All ER 236, CA. See also *Nelson v Nelson* (1995) 132 ALR 133; *Collier v Collier* [2002] EWCA Civ 1095, [2003] WTLR 617. See also *Painter v Hutchison* [2007] EWHC 758 (Ch), [2007] All ER (D) 45 (Apr).

9 See *Tribe v Tribe* [1996] Ch 107, [1995] 4 All ER 236, CA.

683. Sham trusts. What appears on the face of it to be a trust may be set aside as a sham[1] if the truth of the matter is that the settlor retains full beneficial entitlement and there is no intention that the apparent beneficiaries are to obtain any benefit[2]. There are conflicting views as to whether the intention must be that of both the trustee and the settlor[3] or whether something less than full intention on the part of the trustee will suffice[4]. In the case of a unilateral declaration of trust only the settlor's intention is relevant[5].

There is an irreducible core of obligations owed by the trustees to the beneficiaries and enforceable by them which is fundamental to the concept of a trust. If the beneficiaries have no trusts enforceable against the trustees there are no trusts and an apparent trust document will have no effect as such[6].

1 'Sham' has been said to mean 'acts done or documents executed by the parties to the 'sham' which are intended by them to give to third parties or to the court the appearance of creating between the parties legal rights and obligations different from the actual legal rights and obligations (if any) which the parties intend to create': *Snook v London and West Riding Investments Ltd* [1967] 2 QB 786 at 802, [1967] 1 All ER 518 at 528, CA, per Diplock LJ.

2 See *Midland Bank plc v Wyatt* [1995] 3 FCR 11, [1995] 1 FLR 696; *Abdel Rahman v Chase Bank (CI) Trust Co Ltd* [1991] JLR 103, Jersey Royal Court. An apparent trust which may, perhaps, be set aside as a sham is what is sometimes referred to as a 'Red Cross trust'. This is a trust in a wide discretionary form set up with a single named beneficiary, such as the Red Cross, but with the trustees having wide powers to add the settlor and his family, and where there is evidence that the Red Cross is not intended to benefit. See the Isle of Man litigation in *Steele v Paz Ltd (in liquidation)* (unreported), extracts from which appear in Butterworths Offshore Cases and Materials (1996) vol 1 at p 338 et seq.

3 *Snook v London and West Riding Investments Ltd* [1967] 2 QB 786 at 802, [1967] 1 All ER 518 at 528, CA, per Diplock LJ; *Hitch v Stone* [2001] EWCA Civ 63 at [69], [2001] STC 214 at [69] per Arden LJ; *Re the Esteem Settlement, Abacus (CI) Ltd and Gruppo Torras SA v Al-Sabah* [2003] JRC 092 at [54], [2004] WTLR 1 at [54], 6 ITELR 368 at [54] per Deputy Bailiff Birt; *Shalson v Russo* [2003] EWHC 1637 (Ch) at [190], [2005] Ch 281 at [190], [2003] WTLR 1165 at [190] per Rimer J (where it was also held that it would be sufficient if the intention 'later becomes so shared'); *Mackinnon v Regent Trust Co Ltd* [2004] JLR 477; Underhill and Hayton *Law Relating to Trusts and Trustees* (17th Edn, 2007) p 79. However, where a document implements more than one transaction it is not necessary for every party to the document to be a party to the sham: see *Hitch v Stone* supra obiter at [85] per Arden LJ.

4 See *Midland Bank plc v Wyatt* [1997] 1 BCLC 242 at 245, [1995] 1 FLR 696 at 699 per Young QC (sufficient for a party to go along with the 'shammer' not either knowing or caring what he was signing); *Minwalla v Minwalla* [2004] EWHC 2823 (Fam) at [58], [2005] 1 FLR 771 at [58], [2006] 1 WTLR 311 at [58] per Singer J (willingness to go along with the settlor's actions without any attempt to rein him in sufficed). See also *Lewin on Trusts* (17th Edn, 2000) p 80.

5 *Painter v Hutchison* [2007] EWHC 758 (Ch), [2007] All ER (D) 45 (Apr). See also *Lewin on Trusts* (17th Edn, 2000) p 80.

6 See *Armitage v Nurse* [1998] Ch 241, [1997] 2 All ER 705, CA, where Millett LJ refused to accept that these core obligations included the duties of skill and care, prudence and diligence.

684. Trusts infringing the rules against perpetuities. A limitation created by way of a trust before 16 July 1964 is void ab initio in so far as it infringes the rule against remoteness of vesting which requires that, to be valid, an executory devise or other future limitation must be certain to vest, if at all, within a relevant life or lives in being at the date when the limitation operates and 21 years and a possible period of gestation thereafter[1]. In relation to limitations in instruments taking effect on or after 16 July 1964[2], the Perpetuities and Accumulations Act 1964 provides that such limitations are valid until, after 'waiting and seeing', it becomes clear that an interest can only vest outside the perpetuity period of statutory lives in being plus 21 years or a period of up to 80 years specified in the instrument as the perpetuity period[3].

A trust is also as a rule void, even though it creates an interest which takes effect immediately, if it is intended to be of perpetual or indefinite duration and would impose restrictions on the alienation of the income of the trust property extending beyond the common law period of relevant lives in being plus 21 years[4].

There are certain exceptions to these rules[5]. In particular, a charitable trust is not void merely because it is to be of perpetual or indefinite duration, and, although a charitable trust to be valid must in general take effect, if at all, within the periods permitted by the rule against remoteness of vesting, this requirement does not apply to a gift over from one charity to another[6].

1 See PERPETUITIES AND ACCUMULATIONS vol 35 (Reissue) paras 1008 (statement of rule), 1031 et seq (application of rule to equitable interests). See also *The Rules against Perpetuities and Excessive Accumulations* (Law Com no 133) (1998).

2 The Perpetuities and Accumulations Act 1964 does not apply to appointments made on or after 16 July 1964 under a special power of appointment created before that date: see s 15(5); and PERPETUITIES AND ACCUMULATIONS vol 35 (Reissue) paras 1007, 1009.

3 See PERPETUITIES AND ACCUMULATIONS vol 35 (Reissue) para 1009 et seq.

4 See PERPETUITIES AND ACCUMULATIONS vol 35 (Reissue) para 1035. The Perpetuities and Accumulations Act 1964 does not affect this rule: see s 15(4); and PERPETUITIES AND ACCUMULATIONS vol 35 (Reissue) para 1035.

5 As to unobjectionable perpetual interests see PERPETUITIES AND ACCUMULATIONS vol 35 (Reissue) para 1006; and as to interests to which the rule against remoteness of vesting does not apply see PERPETUITIES AND ACCUMULATIONS vol 35 (Reissue) para 1041 et seq.

6 See CHARITIES vol 5(2) (2001 Reissue) para 135; PERPETUITIES AND ACCUMULATIONS vol 35 (Reissue) para 1055. Gifts over to charities of the endowments of historic buildings and gardens are also exempted from the rules relating to perpetuities: see TOWN AND COUNTRY PLANNING vol 46(3) (Reissue) paras 1067–1069. As to historic buildings see also OPEN SPACES AND ANCIENT MONUMENTS.

685. Trusts for accumulation. In addition to complying with the rule against perpetuities, trusts for accumulation and dispositions directly or indirectly causing accumulation, wholly or partially, of the rents, profits or income of any real or personal property must be confined[1], with certain statutory and other exceptions, to one or other of certain alternative statutory periods, any one of which, but not more than one, may be chosen[2]. A trust created by a corporation is not subject to the rule against accumulations, as the rule applies only to natural persons[3].

1 Legislation restricting accumulations is contained in the Law of Property Act 1925 ss 164–166 and the Perpetuities and Accumulations Act 1964 s 13: see PERPETUITIES AND ACCUMULATIONS vol 35 (Reissue) para 1119 et seq. See also *The Rules against Perpetuities and Excessive Accumulations* (Law Com no 133) (1998).

2 See PERPETUITIES AND ACCUMULATIONS vol 35 (Reissue) para 1119 et seq. As to the exception in favour of trusts for the reduction of the National Debt see para 686 post.

3 *Re Dodwell & Co Ltd's Trusts, Baker v Timmins* [1979] Ch 301, [1978] 3 All ER 738.

686. Validation of trust funds for reduction of the National Debt. Where by any instrument directions are given for any property being held upon trust and the income of it being wholly accumulated, subject only to payment out of it of any costs, charges and expenses of the trustees and any remuneration to which they may be entitled, for any period to be determined under the provisions of the instrument, and for the property and accumulations being transferred at or before the expiration of that period to the National Debt Commissioners to be applied by them in reduction of the National Debt[1], the directions are valid and effective, notwithstanding any Act or rule of law to the contrary, unless within three months after receiving notice of the taking effect of the instrument the Treasury disclaims the commissioners' interest under the directions[2].

1 As to the National Debt and the National Debt Commissioners generally see MONEY vol 32 (2005 Reissue) para 148 et seq.

2 Superannuation and other Trust Funds (Validation) Act 1927 s 9(1). No person is entitled to require the transfer of any part of the property, income or accumulations otherwise than in accordance with the provisions of the instrument: s 9(1). It is the duty of the trustees of any such trust to render to the National Debt Commissioners such accounts and information relating to the trust as they may reasonably require: s 9(2). As to the exemption from capital gains tax, income tax, inheritance tax and stamp duty in favour of trusts for the reduction of the National Debt see CAPITAL GAINS TAXATION vol 5(1) (2004 Reissue) para 285; INCOME TAXATION; INHERITANCE TAXATION vol 24 (Reissue) para 523; STAMP DUTIES AND STAMP DUTY RESERVE TAX vol 44(1) (Reissue) para 1087. As to the Treasury see CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) paras 512–517.

(3) CONSTRUCTIVE AND RESULTING TRUSTS

(i) Constructive Trusts

A. IN GENERAL

687. Nature of constructive trust. A constructive trust attaches by law to specific property which is neither expressly subject to any trusts nor subject to a resulting trust[1] but which is held by a person in circumstances where it would be inequitable to allow him to assert full beneficial ownership of the property[2]. Such a person will often hold other property in a fiduciary capacity and it will be by virtue of his ownership of or

dealings with that fiduciary property that he acquired the specific property subject to the constructive trust[3]. A third party who receives property in circumstances where he has actual or constructive notice that it is trust property being transferred to him in breach of trust will, however, also be a constructive trustee of that property[4]. As a general principle it may be said that property subject to a constructive trust must have come into the hands of the alleged trustee as a result of unconscionable dealing or in breach of a fiduciary obligation[5].

A person who holds property on a constructive trust is a constructive trustee in respect of it[6]. He cannot claim for himself any increase in value of the property or any profits earned by it[7]. If he becomes bankrupt, the property is not available for his general creditors but for the beneficiaries in whose favour the constructive trust subsists[8].

In certain circumstances a person is said to be a constructive trustee in a different sense in that no specific property is subjected to a constructive trust but the person is treated constructively as if he had been a trustee so that, like an express trustee, he can be made personally liable to account to the beneficiaries for any losses or gains resulting from his wrongful activities. Treating him as a constructive trustee is merely a formula for imposing an equitable personal liability to account[9]. If he becomes bankrupt, the trust beneficiaries affected by his wrongful activities have no priority but are treated as ordinary creditors as there is no specific property subjected to a constructive trust[10].

1 As to resulting trusts see para 705 et seq post; and as to the saving of constructive trusts from the effect of the requirement that a trust of land must be declared in writing see para 624 ante. As to constructive and resulting trusts see also EQUITY vol 16(2) (Reissue) paras 852–853.

2 *Bannister v Bannister* [1948] 2 All ER 133, CA; *Carl Zeiss Stiftung v Herbert Smith & Co (No 2)* [1969] 2 Ch 276, [1969] 2 All ER 367, CA; *Hussey v Palmer* [1972] 3 All ER 744, [1972] 1 WLR 1286, CA; *Lyus v Prowsa Developments Ltd* [1982] 2 All ER 953, [1982] 1 WLR 1044; *Lonrho plc v Fayed (No 2)* [1991] 4 All ER 961, [1992] 1 WLR 1. The sentence in the text was cited with apparent approval in *Kakkar v Szelke* [1989] FSR 225 at 235, CA, per Parker CJ. See also *Ungurian v Lesnoff* [1990] Ch 206, [1989] 3 WLR 840; *Akhtar v Arif* [2006] EWHC 2726 (Ch), [2006] 3 FCR 526, [2007] WTLR 35 (no constructive trust where father claimed he transferred property on the understanding that it was to be conveyed back to him at his request).

3 *Espinasse v Lowe* (1764) 7 Bro Parl Cas 345 at 355, HL. See also *British Reinforced Concrete Engineering Co v Lind* (1917) 86 LJ Ch 486; *Re Eyre-Williams, Williams v Williams* [1923] 2 Ch 533; *Green v Weatherill* [1929] 2 Ch 213; cf *Bannister v Bannister* [1948] 2 All ER 133, CA.

4 *Barnes v Addy* (1874) 9 Ch App 244 at 251 per Lord Selborne LC; *Soar v Ashwell* [1893] 2 QB 390 at 400, 405, CA, per Kay LJ; *Belmont Finance Corpn v Williams Furniture Ltd (No 2)* [1980] 1 All ER 393, CA; *Clark v Cutland* [2003] EWCA Civ 810, [2003] 4 All ER 733, [2004] 1 WLR 783. It has been suggested, however, that in such circumstances the trust remains an express trust and that the third party who by his conduct has become affected by it is more properly speaking an express trustee de son tort: *Soar v Ashwell* supra at 394 per Lord Esher MR. As to third parties as constructive trustees see paras 698–704 post.

5 *French v Mason* [1999] FSR 597, (1998) Times, 13 November.

6 *Soar v Ashwell* [1893] 2 QB 390 at 393, CA. A person may become a constructive trustee of property vested in him on the failure of trustees of an express trust: see para 802 post.

7 See paras 696–697 post.

8 See the Insolvency Act 1986 s 283(3); and BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 216.

9 *Selangor United Rubber Estates Ltd v Cradock (a bankrupt) (No 3)* [1968] 2 All ER 1073 at 1097, [1968] 1 WLR 1555 at 1582; *English v Dedham Vale Properties Ltd* [1978] 1 All ER 382 at 398, [1978] 1 WLR 93 at 110. See also paras 698–704 post. As to the remedy of account of profits see EQUITY vol 16(2) (Reissue) para 553; and as to the use of the constructive trust to prevent unconscionable conduct see para 689 post. See *Paragon Finance plc v DB Thakerar & Co (a firm)* [1999] 1 All ER 400 at 408–409, CA, where Millett LJ explained that the term 'constructive trust' is used to describe two entirely different situations. First, it covers cases 'where the defendant, though not expressly appointed as trustee, has assumed the duties of a trustee by a lawful transaction which was independent of and preceded the breach of trust and is not impeached by the claimant. The second covers those cases where the trust obligation arises as a direct consequence of the unlawful transaction which is impeached by the claimant. A constructive trust arises by operation of law whenever the circumstances are such that it would be unconscionable for the owner of property ... to assert his own beneficial interest in the property and deny the beneficial interest of another. In the first class of case ... the constructive trustee really is a

trustee .... His possession of the property is coloured from the first by the trust and confidence by means of which he obtained it, and his subsequent appropriation of the property to his own use is a breach of that trust .... [The second class of case] arises when the defendant is implicated in a fraud. Equity has always given relief against fraud by making any person sufficiently implicated in fraud accountable in equity. In such a case he is traditionally though I think unfortunately described as a constructive trustee and said to be 'liable to account as constructive trustee'. Such a person is not in fact a trustee at all, even though he may be liable to account as if he were'. This was applied in *Coulthard v Disco Mix Club Ltd* [1999] 2 All ER 457, [2000] 1 WLR 707; *J J Harrison (Properties) Ltd v Harrison* [2001] EWCA Civ 1467, [2002] 1 BCLC 162; *Gwembe Valley Development Co Ltd v Koshy (No 3)* [2003] EWCA Civ 1048, [2004] 1 BCLC 131. See also *Dubai Aluminium Co Ltd v Salaam* [2002] UKHL 48 at [132]–[144], [2003] 2 AC 366 at [132]–[144], [2003] 1 All ER 97 at [132]–[144] per Millett LJ. The misuse of voting rights to obtain new shares does not make the new shares trust property; the new shares come into existence only by reason of the transaction impeached: *Halton International Inc v Guernroy Ltd* [2006] EWCA Civ 801, [2006] All ER (D) 302 (Jun).

10 The provisions of the Insolvency Act 1986 s 283(3) (see BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 226) do not apply.

688. Institutional constructive trust and remedial constructive trust. There are two distinct types of constructive trust, namely: (1) the institutional constructive trust; and (2) the remedial constructive trust. Only the first of these is presently recognised as valid in English law[1].

Under an institutional constructive trust the trust arises by operation of law as from the date of the circumstances which give rise to it: the function of the court is merely to declare that such trust has arisen in the past. The consequences that flow from such a trust having arisen (including the possibly unfair consequences to third parties who in the interim have received the trust property) are also determined by rules of law, not under a discretion[2]. The constructive trust is a substantive institution, in principle like any other trust. Express trusts and constructive trusts are two species of the same genus.

In relation to the remedial constructive trust, in some jurisdictions[3] the view is taken that express and constructive trusts are distinct concepts and not two species of a single genus. The remedial constructive trust is regarded as a judicial remedy giving rise to an enforceable obligation: the extent to which it operates retrospectively to the prejudice of third parties lies in the discretion of the court. It depends for its very existence on an order of the court, such order being creative rather than simply confirmatory[4]. As the law presently stands the courts in England cannot vary proprietary rights by means of a remedial constructive trust, except where they have statutory authority to do so[5]. There are, however, obiter dicta which recognise the possibility that at some time the remedial constructive trust may become a part of English law[6].

1 See *Re Sharpe (a bankrupt)* [1980] 1 All ER 198 at 203, [1980] 1 WLR 219 at 225 per Browne-Wilkinson J; *Halifax Building Society v Thomas* [1996] Ch 217 at 229, [1995] 4 All ER 673 at 682, CA, per Gibson LJ; *Westdeutsche Landesbank Girozentrale v Islington London Borough Council* [1996] AC 669 at 714–715, [1996] 2 All ER 961 at 997, HL, per Lord Browne-Wilkinson; *Re Polly Peck International plc (in administration) (No 2)* [1998] 3 All ER 812, [1998] 2 BCLC 185, CA. See, however, *Ocular Sciences Ltd v Aspect Vision Care Ltd* [1997] RPC 289 at 411–416, where the constructive trust appears to have been regarded as a remedy, though on the facts no trust was imposed ('the imposition of a constructive trust is part of the equitable armoury of the court': see at 416 per Laddie J).

2 See *Westdeutsche Landesbank Girozentrale v Islington London Borough Council* [1996] AC 669 at 714–715, [1996] 2 All ER 961 at 997, HL, per Lord Browne-Wilkinson.

3 Canada has been the pioneering jurisdiction in this respect: see e g *Pettkus v Becker* (1980) 117 DLR (3d) 257; *Sorochan v Sorochan* (1986) 29 DLR (4th) 1, Can SC; *Peter v Beblow* (1993) 101 DLR (4th) 621.

4 See *Westdeutsche Landesbank Girozentrale v Islington London Borough Council* [1996] AC 669 at 714–715, [1996] 2 All ER 961 at 997, HL, per Lord Browne-Wilkinson. The distinction between the institutional constructive trust and the remedial constructive trust as understood in Canada is explained by Lambert JA in *Atlas Cabinets and Furniture Ltd v National Trust Co Ltd* (1990) 68 DLR (4th) 161.

5 Eg under the Variation of Trusts Act 1958 (see para 1062 et seq post); and the Matrimonial Causes Act 1973 (see MATRIMONIAL LAW).

6 See *Metall und Rohstoff AG v Donaldson Lufkin & Jenrette Inc* [1990] 1 QB 391, [1989] 3 All ER 14, CA; *Re Goldcorp Exchange Ltd (in receivership)* [1995] 1 AC 74, [1994] 2 All ER 606, PC; *Westdeutsche*

Landesbank Girozentrale v Islington London Borough Council [1996] AC 669, [1996] 2 All ER 961, HL; *Re Polly Peck International plc (in administration) (No 2)* [1998] 3 All ER 812, [1998] 2 BCLC 185, CA.

689. Flexibility of constructive trust principles to prevent fraudulent or unconscionable conduct. Although there are some clear categories of constructive trusts, for example, those involving the purchase of land with the common intention to share ownership[1] and those involving profits made by fiduciaries[2] and created by the intermeddling of third parties[3], the categories of constructive trusteeship are not closed[4].

Equity will not allow a statute to be used as an instrument or engine of fraud[5]. Thus, if a person attempts to assert full beneficial ownership of property by relying unconscionably on the absence of the statutory formalities requisite for another person's interest, he will be treated as holding the property on constructive trust for that other person[6]. Similarly, if a murderer seeks to take advantage of the right of survivorship in relation to property of which he and the victim were joint tenants, he will be treated as holding the property on constructive trust as to one-half for the victim's estate[7].

In relatively recent times, Lord Denning MR sought to introduce 'a constructive trust of a new model'[8], that is, 'a trust imposed whenever justice and good conscience require it ... a liberal process, founded on large principles of equity, to be applied where the legal owner cannot conscientiously keep the property for himself alone, but ought to allow another to have the property or a share in it ... an equitable remedy by which the court can enable an aggrieved party to obtain restitution'[9]. Lord Denning's views have not prevailed, however, and the cases indicate a movement away from a revolutionary new model constructive trust to an evolutionary extension of the traditional constructive trust[10].

1 See para 690 post.
2 See paras 695–697 post.
3 See paras 698–704 post.
4 *English v Dedham Vale Properties Ltd* [1978] 1 All ER 382 at 398, [1978] 1 WLR 93 at 110 per Slade J. See also *Lonhro plc v Fayed (No 2)* [1991] 4 All ER 961 at 969, [1992] 1 WLR 1 at 9 per Millett J; *Banner Homes Group plc v Luff Development Ltd* [2000] Ch 372 at 397, [2000] 2 All ER 117 at 138, CA, per Chadwick LJ. The equity which arises in cases of proprietary estoppel has been said to be in the nature of a constructive trust: see *Re Basham* [1987] 1 All ER 405, [1986] 1 WLR 1498; and see further *Taylor v Dickens* [1998] 3 FCR 445, [1998] 1 FLR 806,; *Gillett v Holt* [2001] Ch 210, [2000] 2 All ER 289, CA; *Yaxley v Gotts* [2000] Ch 162 at 176, [2000] 1 All ER 711 at 721, CA, per Walker LJ; *Oxley v Hiscock* [2004] EWCA Civ 546 at [66], [2005] Fam 211 at [66], [2004] 3 All ER 703 at [66] per Chadwick LJ. See further ESTOPPEL vol 16(2) (Reissue) paras 1089–1094.
5 See EQUITY vol 16(2) (Reissue) paras 563–564.
6 *Bannister v Bannister* [1948] 2 All ER 133, CA; *Hodgson v Marks* [1971] Ch 892 at 908, [1970] 3 All ER 513 at 521 (this point not dealt with on appeal [1971] Ch 892, [1971] 2 All ER 684, CA). See also *Rochefoucauld v Boustead* [1897] 1 Ch 196, CA; *Lyus v Prowsa Developments Ltd* [1982] 2 All ER 953, [1982] 1 WLR 1044. As to secret trusts see paras 672–677 ante; and as to mutual wills see para 692 post. All contracts for the sale of land must be made in writing but this does not affect the creation or operation of resulting, implied or constructive trusts: see the Law of Property (Miscellaneous Provisions) Act 1989 s 2 (as amended); and SALE OF LAND vol 42 (Reissue) para 29. There is much common ground between the doctrines of proprietary estoppel and the constructive trust (*Yaxley v Gotts* [2000] Ch 162 at 176, [2000] 1 All ER 711 at [721], CA, per Walker LJ) and there may be circumstances where a proprietary estoppel claim can be relied upon despite the Law of Property (Miscellaneous Provisions) Act 1989 s 2 (as amended); but see *Kinane v Mackie-Conteh* [2005] EWCA Civ 45 at [46], [2005] 2 P & CR D9 at [46] per Neuberger LJ. See also *Stack v Dowden* [2007] UKHL 17 at [37], [2007] 2 All ER 929 at [37] per Lord Hope of Craighead.
7 *Schobelt v Barber* [1967] 1 OR 349, 60 DLR (2d) 519, Ont HC; *Re Pechar, Re Grbic* [1969] NZLR 574; *Rasmanis v Jurewitsch* [1970] 1 NSWR 650, 70 SRNSW 407, NSW CA. As to the effect of murder and manslaughter on the right to benefit under a will see WILLS vol 50 (2005 Reissue) paras 341–342.
8 *Eves v Eves* [1975] 3 All ER 768 at 771, [1975] 1 WLR 1338 at 1341, CA, per Lord Denning MR.
9 *Hussey v Palmer* [1972] 3 All ER 744 at 747, [1972] 1 WLR 1286 at 1290, CA, per Lord Denning MR (with which may be contrasted the decision on similar facts in *Spence v Brown* [1988] Fam Law 291, CA). However, other authorities hold the view that it is unsatisfactory to use the vague concept of justice and

good conscience to create equitable proprietary interests under constructive trusts which can have far-reaching implications for purchasers and for creditors under property law and under bankruptcy law: see eg *Re Sharpe (a bankrupt), ex p the trustee of the bankrupt v Sharpe* [1980] 1 All ER 198 at 201, 204, [1980] 1 WLR 219 at 223, 226 per Browne-Wilkinson J; cf *Spence v Brown* supra. See also Underhill and Hayton *Law relating to Trusts and Trustees* (17th Edn, 2007) p 512 et seq. In New Zealand, the broad rule of Lord Denning MR for the imposition of a constructive trust has been criticised as 'a supposed rule of equity which is not only vague in its outline but which must disqualify itself from acceptance as a valid principle of jurisprudence by its total uncertainty of application and result': see *Carly v Farrelly* [1975] 1 NZLR 356 at 367, Auck SC, per Mahon J. See also *Allen v Snyder* [1977] 2 NSWLR 685, NSW CA; *Re McKeown* [1974] NI 226.

10 See *Burns v Burns* [1984] Ch 317, [1984] 1 All ER 244, CA; *Midland Bank plc v Dobson and Dobson* [1986] 1 FLR 171, CA; *Grant v Edwards* [1986] Ch 638, [1986] 2 All ER 426, CA; *Ashburn Anstalt v Arnold* [1989] Ch 1, [1988] 2 All ER 147, CA; *Lloyds Bank plc v Rosset* [1991] 1 AC 107, [1990] 1 All ER 1111, HL; *Re Polly Peck International plc (in administration) (No 2)* [1998] 3 All ER 812, CA. See also *Re Schuppan (a bankrupt) (No 2)* [1997] 1 BCLC 256, where it was held that the principle in *Lloyds Bank plc v Rosset* supra (namely, that an agreement made prior to the acquisition of property that it should be shared beneficially gave rise to a constructive trust where the person asserting a claim to a beneficial interest against the party entitled to the legal estate had altered his position to his detriment in reliance on that agreement) was applicable where the property was acquired through or held by a company owned by the legal owner instead of being owned by the legal owner directly. See further *Metall und Rohstoff AG v Donaldson Lufkin and Jenrette Inc* [1990] 1 QB 391 at 479, [1989] 3 All ER 14 at 57, CA, where Slade LJ, giving the judgment of the court, left open the possibility of the court's imposing a trust de novo on assets not subject to any pre-existing trust as a means of granting equitable relief in a case where it considers it just that restitution should be made. He called this a 'remedial constructive trust'.

690. Common intention to share ownership of land. A constructive trust will arise in connection with the legal title to property wherever one party has so conducted himself that it would be inequitable to allow him to deny to the other party a beneficial interest in the property acquired. This will be so where: (1) there was a common intention that both parties should have a beneficial interest; and (2) the claimant has acted to his detriment in the belief that by so acting he was acquiring a beneficial interest[1]. The relevant intention of each party is the intention reasonably understood by the other party to be manifested by that party's words or conduct notwithstanding that he did not consciously formulate that intention or even acted with some different intention which he did not communicate[2].

The first question is whether, independently of any inference to be drawn from the conduct of the parties in the course of sharing the property, there has at any time prior to acquisition, or exceptionally at some later date, been any agreement, arrangement or understanding reached between them that the property is to be shared beneficially. Such an agreement will be conclusive[3].

Where the evidence is that the matter was not discussed at all, the court may infer a common intention that the property was to be shared beneficially from the conduct of the parties. In this situation direct contributions to the purchase price by the party who is not the legal owner, whether initially, or by way of mortgage instalments, will readily justify the inference necessary to the creation of a constructive trust[4].

Exceptionally the agreement, arrangement or understanding may be arrived at after the date of the original acquisition[5].

Once common intention has been established, whether by direct evidence of common agreement or by inference from conduct, the claimant must show that he acted to his detriment in reliance on the agreement[6].

The final question to determine is the extent of the respective beneficial interests. If the parties have reached agreement, this is conclusive[7]. Where there is no agreement as to the extent of the interest, each is entitled to the share the court considers fair having regard to the whole course of dealing between the parties in relation to the property[8].

If a conveyance contains an express declaration of trust which comprehensively declares the beneficial interests in the property, there is no room for the application of the doctrine of resulting, implied or constructive trusts[9].

Many cases in this area involve the purchase of property for joint occupation. It used to be accepted that there were no distinct and separate principles applying to such cases[10]. However, this may no longer be the case[11].

1 *Gissing v Gissing* [1971] AC 886 at 905, [1970] 2 All ER 780 at 790, HL, per Lord Diplock; *Lloyds Bank plc v Rosset* [1991] 1 AC 107 at 132, [1990] 1 All ER 1111 at 1118, HL, per Lord Bridge of Harwich. See also *Eves v Eves* [1975] 3 All ER 768 at 771, [1975] 1 WLR 1338 at 1341, CA, per Lord Denning MR; *Grant v Edwards* [1986] Ch 638 at 646–647, [1986] 2 All ER 426 at 431, CA, per Nourse LJ, and at 651 and 434 per Mustill LJ.

2 *Gissing v Gissing* [1971] AC 886 at 906, [1970] 2 All ER 780 at 790, HL, per Lord Diplock.

3 *Lloyds Bank plc v Rosset* [1991] 1 AC 107 at 132, [1990] 1 All ER 1111 at 1118, HL, per Lord Diplock (the finding of an agreement can only be based on evidence of express discussions between the parties however imperfectly remembered). See also *Eves v Eves* [1975] 3 All ER 768 at 774, [1975] 1 WLR 1338 at 1343–1344, CA, per Brightman J; *Grant v Edwards* [1986] Ch 638 at 647, [1986] 2 All ER 426 at 431, CA, per Nourse LJ, and at 654 and 438 per Sir Browne-Wilkinson V-C; *Hyett v Stanley* [2003] EWCA Civ 942 at [8] et seq, [2003] 3 FCR 253 at [8] et seq per Sir Martin Nourse.

4 *Lloyds Bank plc v Rosset* [1991] 1 AC 107 at 132–133, [1990] 1 All ER 1111 at 1118–1119, HL, per Lord Bridge of Harwich; *Grant v Edwards* [1986] Ch 638 at 654, [1986] 2 All ER 426 at 436, CA, per Sir Browne-Wilkinson V-C; *Oxley v Hiscock* [2004] EWCA Civ 546 at [54], [2005] Fam 211 at [54], [2004] 3 All ER 703 at [54] per Chadwick LJ. In the absence of a proved or inferred bargain or intention, it is doubtful whether the making of subsequent indirect contributions, for instance in the shape of a contribution to general household expenses, is sufficient to found an interest: *Lloyds Bank plc v Rosset* supra at 132 and 1118 per Lord Bridge of Harwich; *Burns v Burns* [1984] Ch 317, [1984] 1 All ER 244, CA; *Stack v Dowden* [2005] EWCA Civ 857, [2006] 1 P & CR 244, [2005] 2 FCR 739 (applied in *Murphy v Gooch* [2007] EWCA Civ 603, [2007] All ER (D) 350 (Jun)). See also *Legder-Beadell v Peach* [2006] All ER (D) 245 (Nov) (Ch).

5 *Lloyds Bank plc v Rosset* [1991] 1 AC 107 at 132, [1990] 1 All ER 1111 at 1118, HL, per Lord Bridge of Harwich; *Gissing v Gissing* [1971] AC 886 at 901, [1970] 2 All ER 780 at 786, HL, per Dilhorne V-C; *Grant v Edwards* [1986] Ch 638 at 651–652, [1986] 2 All ER 426 at 434, CA, per Mustill LJ; *Stokes v Anderson* [1991] FCR 539; *Mortgage Corpn Ltd v Shaire, Mortgage Corpn Ltd v Lewis Silkin (a firm)* [2001] Ch 743 at 750, [2001] 4 All ER 364 at 370–371 per Neuberger J; *Hyett v Stanley* [2003] EWCA Civ 942, [2003] 3 FCR 253. Where the arrangement or understanding is reached in relation to property already owned by one of the parties, he may (if the arrangement is of sufficient certainty to be enforced specifically) thereby constitute himself trustee on the basis that 'equity looks on that as done which ought to be done'; or an equity may arise under the principles developed in the proprietary estoppel cases: *Banner Homes Group plc v Luff Developments Ltd* [2000] Ch 372 at 397–398, [2000] 2 All ER 117 at 138, CA, per Chadwick LJ. See also *Kilcarne Holdings Ltd v Targetfollow (Birmingham) Ltd* [2004] EWHC 2547 (Ch), [2005] 2 P & CR 105 (affd [2005] EWCA Civ 1355, [2006] 1 P & CR D55); *Cobbe v Yeomans Row Management Ltd* [2005] EWHC 266 (Ch), [2005] 2 P & CR D2 (affd [2006] EWCA Civ 1139, [2006] 1 WLR 2964, [2006] WTLR 1473); *Van Laethem v Brooker* [2005] EWHC 1478 (Ch), [2005] 1 FCR 697, [2006] 2 FLR 495.

6 The detriment need not necessarily consist of the expenditure of money or some other quantifiable financial detriment: *Grant v Edwards* [1986] Ch 638 at 647, [1986] 2 All ER 426 at 431, CA, per Nourse LJ; *Eves v Eves* [1975] 3 All ER 768 at 772, [1975] 1 WLR 1338 at 1342, CA, per Lord Denning MR.

7 *Grant v Edwards* [1986] Ch 638 at 652, [1986] 2 All ER 426 at 437, CA, per Nourse LJ.

8 *Oxley v Hiscock* [2004] EWCA Civ 546 at [69], [2005] Fam 211 at [69], [2004] 3 All ER 703 at [69] per Chadwick LJ (drawing on a passage from *Grant v Edwards* [1986] Ch 638 at 656, [1986] 2 All ER 426 at 439, CA, per Browne-Wilkinson V-C); cited with approval in *Stack v Dowden* [2007] UKHL 17 at [61], [2007] 2 All ER 929 at [61] per Baroness Hale, with the addition of the words 'taking account of all conduct which throws light on the question what shares were intended'. It has been suggested that it may be more satisfactory to accept that there is no difference in cases of this nature between constructive trusts and proprietary estoppel: *Drake v Whipp* [1996] 2 FCR 296 at 301–302, CA, per Peter Gibson LJ. See also *Cox v Jones* [2004] EWHC 1486 (Ch), [2004] 3 FCR 693, [2004] 2 FLR 1010; *Van Laethem v Brooker* [2005] EWHC 1478 (Ch), [2005] 1 FCR 697, [2006] 2 FLR 495. However, in *Stack v Dowden* supra at [37] Lord Walker was 'less enthusiastic' about the assimilation of proprietary estoppel and common interest constructive trusts. For application of constructive and resulting trust principles in relation to the purchase of property by cohabitees see para 722 post.

9 Unless and until the conveyance is set aside or rectified, the declaration in the document speaks for itself: *Goodman v Gallant* [1986] Fam 106 at 110–111, [1986] 1 All ER 311 at 314, CA, per Slade LJ; cited with approval in *Stack v Dowden* [2007] UKHL 17 at [49], [2007] 2 All ER 929 at [49] per Baroness Hale. A declaration in a conveyance that the survivor is entitled to give a valid receipt for capital money is not in itself to be regarded as an express declaration of trust: *Harwood v Harwood* [1992] 1 FCR 1, [1991] 2 FLR 274, CA; *Huntingford v Hobbs* [1993] 1 FCR 45, [1993] 1 FLR 736, CA (Dillon LJ dissenting); and see *Stack v Dowden* supra per Baroness Hale at [51] and Lord Neuberger at [130].

10 See *Gissing v Gissing* [1971] AC 886 at 901, [1970] 2 All ER 780 at 786, HL, per Dilhorne V-C; *Cobbe v Yeomans Row Management Ltd* [2005] EWHC 266 (Ch), [2005] 2 P & CR D2 (affd [2006] EWCA Civ 1139, [2006] WTLR 1473).

11 See *Stack v Dowden* [2007] UKHL 17 at [31], [2007] 2 All ER 929 at [31] per Lord Walker and at [58] per Baroness Hale; but see arguments of Lord Neuberger to the contrary at [103]. See also para 722 post.

691. Contractual and other relationships creating constructive trusts. The facts and dealings between persons may be such that in equity a fiduciary character is imposed on one of them towards the other in relation to property held by the former, who then may be said to hold it on a constructive trust, the extent and obligations of the trust depending on the relationship between the parties[1]. Thus, for example, a vendor who is bound by a specifically enforceable contract for the immediate sale of land is in a qualified sense a trustee of the land for the purchaser[2]. Similarly, an oral contract for sale and purchase creates a constructive trust of a reversionary interest in shares forming a fund subject to a settlement, the reversionary interest being the subject of the contract[3].

In consequence of the fiduciary character of their duties, the directors of a limited company are treated as if they were trustees of those funds of the company which are in their hands or under their control and, if they misapply the funds, they commit a breach of trust[4].

An executor de son tort may be, but is not necessarily, a constructive trustee[5].

1 See *Chase Manhattan Bank NA v Israel-British Bank (London) Ltd* [1981] Ch 105, [1979] 3 All ER 1025 (where by mistake of fact the claimant paid the defendant twice but could trace the second payment held by the defendant as constructive trustee). The reasoning in this case that a person who pays money to another under a mistake of fact retains an equitable property in it and that the conscience of that other is subjected to a fiduciary duty to respect his proprietary right is, in the light of *Westdeutsche Landesbank Girozentrale v Islington London Borough Council* [1996] AC 669, [1996] 2 All ER 961, HL, 'at best doubtful' (*Hillsdown Holdings plc v Pensions Ombudsman* [1997] 1 All ER 862 at 904 per Knox J), though the actual result may be supported on the ground of constructive trust. See also *English v Dedham Vale Properties Ltd* [1978] 1 All ER 382, [1978] 1 WLR 93; *Lyus v Prowsa Developments Ltd* [1982] 2 All ER 953, [1982] 1 WLR 1044.

2 See para 620 ante. See also *Lake v Bayliss* [1974] 2 All ER 1114, [1974] 1 WLR 1073. As to other relationships in which prima facie the relation is not one of trustee and beneficiary see para 611 et seq ante. Where there was a joint grant of a patent and an agreement that one joint owner should exploit it, the person who so exploited it was not held to be a trustee of all the benefits that he received by so doing, and whether he was a trustee or not depended on the terms of the agreement: *Young v Wilson* (1955) 72 RPC 351.

3 *Oughtred v IRC* [1960] AC 206 at 239–240, [1959] 3 All ER 623 at 633, HL, per Lord Jenkins; *Bishop Square Ltd v IRC* (1999) 78 P & CR 169, CA.

4 *Belmont Finance Corpn v Williams Furniture Ltd (No 2)* [1980] 1 All ER 393 at 405, CA, per Buckley LJ, cited as stating the law in *Rolled Steel Products (Holdings) Ltd v British Steel Corpn* [1986] Ch 246 at 297–298, [1985] 3 All ER 52 at 87, CA, per Slade LJ. See also *Agip (Africa) Ltd v Jackson* [1990] Ch 265 at 290, [1992] 4 All ER 385 at 402–403 per Millett J; affd [1991] Ch 547, [1992] 4 All ER 451, CA (principle was extended to misapplications by any person whose fiduciary position within the company gave him control of funds or enabled him to misapply them).

5 *James v Williams* [2000] Ch 1, [1999] 3 All ER 309, CA.

692. Mutual wills. Where persons, such as husband and wife, or brother and sister, make an arrangement as to the disposal of their property after their deaths and make mutual wills pursuant to that arrangement which are intended to be unalterable, then, if one person dies and the survivor subsequently revokes[1] or alters his testamentary dispositions in breach of the arrangement, the survivor's personal representatives will be

granted probate or letters of administration in the ordinary way[2]. They will, however, hold his relevant property on constructive trust for the persons intended to benefit under the mutual arrangement[3].

The arrangement must be more than an agreement to make wills in identical terms[4]; it must reveal a contract not to revoke the will after the death of the first to die or a contract not to depart from the arrangement after the death of the first to die (which would allow revocation of a will so long as the new will still gave effect to the arrangement[5]). The contract must be legally enforceable[6].

The constructive trust arises on the death of the first to die so that disclaimer by the survivor of any benefits under the deceased's will does not frustrate the interests of a beneficiary under the arrangement[7], and so that a beneficiary's interest vests on the first death and does not lapse if subsequently the beneficiary predeceases the survivor[8]. A constructive trust arises whether or not the survivor takes any benefit under the will of the first to die[9].

Unless the mutual will is clearly drafted, problems may arise over the extent of the property which is subject to the mutual arrangement. It is a question of construing the will to ascertain the extent to which the survivor's property and the property passing from the deceased to the survivor may be bound by the mutual arrangement[10]. It appears that there is a floating trust, where the survivor is intended during his life to deal as absolute owner with the deceased's property and on his death to bequeath the residue in the agreed fashion[11].

The parties may release each other from their bargain by mutual agreement; and it seems that during their joint lifetimes either may revoke his will separately, provided that he gives notice of revocation to the other party[12]. Indeed, notice during the lifetime of the first to die may be unnecessary where the survivor receives notice after the death and he has an opportunity to alter his will[13]. Moreover, the survivor will not be bound by the agreement even where the will of the first to die has not been revoked but merely varied by a codicil, at least where the alteration is 'not insignificant'[14].

Similar principles apply in the case of a joint will[15].

1 This includes revocation by a subsequent marriage: *Re Goodchild* [1997] 3 All ER 63, [1997] 1 WLR 1216, CA.

2 *Re Heys, Walker v Gaskill* [1914] P 192.

3 *Re Oldham, Hadwen v Myles* [1925] Ch 75; *Gray v Perpetual Trustee Co Ltd* [1928] AC 391, PC; *Birmingham v Renfrew* (1936) 57 CLR 666, Aust HC; *Re Cleaver, Cleaver v Insley* [1981] 2 All ER 1018, [1981] 1 WLR 939. See also WILLS vol 50 (2005 Reissue) para 308.

4 *Re Cleaver, Cleaver v Insley* [1981] 2 All ER 1018, [1981] 1 WLR 939; *Birch v Curtis* [2002] EWHC 1158 (Ch), [2002] 2 FLR 847, [2002] Fam Law 815.

5 *Re Oldham, Hadwen v Myles* [1925] Ch 75 (where the wife had revoked her mutual will after her husband's death, but had made another in similar terms).

6 *Re Goodchild, Goodchild v Goodchild* [1997] 3 All ER 63 at 71, [1997] 3 FCR 601 at 609, CA, per Leggatt LJ, and at 75 and 615 per Morritt LJ. A constructive trust will not be imposed on property of the survivor in the absence of an agreement: see *Healey v Brown* [2002] EWHC 1405 (Ch), [2002] WTLR 849, 4 ITELR 894 (an agreement relating to land was unenforceable because it did not comply with the requirements of the Law of Property (Miscellaneous Provisions) Act 1989 s 2 (see SALE OF LAND vol 42 (Reissue) para 29) and, hence, wills made in reliance on the agreement were not mutual).

7 *Dufour v Pereira* (1769) 1 Dick 419 at 421; *Re Hagger, Freeman v Arscott* [1930] 2 Ch 190.

8 *Re Hagger, Freeman v Arscott* [1930] 2 Ch 190.

9 *Re Dale, Proctor v Dale* [1994] Ch 31, [1993] 4 All ER 129.

10 *Re Green, Lindner v Green* [1951] Ch 148, [1950] 2 All ER 913.

11 See *Birmingham v Renfrew* (1936) 57 CLR 666 at 689, Aust HC, per Dixon J ('It is only by the special doctrines of equity that such a floating obligation suspended, so to speak, during the lifetime of the survivor can descend upon the assets at his death and crystallise into a trust. No doubt, gifts and settlements inter vivos, if calculated to defeat the intention of the compact, could not be made by the survivor and his right of disposition inter vivos is therefore not unqualified'); cited with approval in *Re*

Cleaver, Cleaver v Insley [1981] 2 All ER 1018, [1981] 1 WLR 939. See also *Ottaway v Norman* [1972] Ch 698, [1971] 3 All ER 1325; *Healey v Brown* [2002] EWHC 1405 (Ch), [2002] WTLR 849, 4 ITELR 894.

12 *Dufour v Pereira* (1769) 1 Dick 419.

13 *Stone v Hoskins* [1905] P 194; doubted in *Bigg v Queensland Trustees Ltd* [1990] 2 Qd R 11. In Australia, the principles giving rise to a trust have been held to be applicable in a case where a party, not being the first to die, had lost the capacity to revoke his will and make a new will: see *Low v Perpetual Trustees WA Ltd* (1995) 14 WAR 35 (where the wife suffered from senile dementia, and the personal representatives of the husband, who was the first to die and who had made a fresh will, were held to hold his estate upon trust to perform the terms of the mutual wills).

14 *Re Hobley, National Westminster Bank plc v Twentyman* (1997) Times, 16 June.

15 *Re Hagger, Freeman v Arscott* [1930] 2 Ch 190; *Re Piazzi-Smyth* [1898] P 7; *Re Duddell, Roundway v Roundway* [1932] 1 Ch 585.

693. Proprietary estoppel. The doctrine of proprietary estoppel is considered elsewhere in this work[1], but it has been observed that at a high level of generality there is much common ground between that doctrine and the constructive trust[2]. The 'common intention constructive trust' has been said to be closely akin to, if not indistinguishable from, proprietary estoppel[3]. The principle of the doctrine in its broadest form is that where one person (A) has acted to his detriment on the faith of a belief which was known to and encouraged by another person (B) that he either has or is going to be given a right over B's property, B cannot insist on his legal rights if to do so would be inconsistent with A's belief[4]. If a proprietary estoppel claim is established, the court has to decide what form the relief should take[5].

1 See ESTOPPEL vol 16(2) (Reissue) para 1089 et seq.

2 *Yaxley v Gotts* [2000] Ch 162 at 176, [2000] 1 All ER 711 at 721, CA, per Walker LJ. See also *Gillett v Holt* [2001] Ch 210, [2000] 2 All ER 289, CA.

3 *Yaxley v Gotts* [2000] Ch 162 at 180, [2000] 1 All ER 711 at 724, CA, per Walker LJ. But see Lord Walker's arguments against assimilation of proprietary estoppel and common interest constructive trusts in *Stack v Dowden* [2007] UKHL 17 at [37], [2007] 2 All ER 929 at [37]; and see para 690 ante.

4 See *Re Basham* [1987] 1 All ER 405 at 410, [1986] 1 WLR 1498 at 1503 per Mr Nugee QC; *Wayling v Jones* (1993) 69 P & CR 170 at 172, CA, per Balcombe LJ; *Gillett v Holt* [2000] 2 All ER 289 at 302, [2000] 3 WLR 815 at 830, CA, per Walker LJ.

5 The aim is to achieve 'the minimum equity to do justice to the [claimant]': *Crabb v Arun DC* [1976] Ch 179 at 198, [1975] 3 All ER 865 at 880, CA, per Scarman LJ. The wide range of possible relief appears from Snell's Equity (31st Edn, 2005) pp 283–288. See also *Jennings v Rice* [2002] EWCA Civ 159, [2003] 1 P & CR 100, [2003] 1 FCR 501.

694. The *Pallant v Morgan* equity. The *Pallant v Morgan*[1] equity, as it has been called[2], is closely related to proprietary estoppel[3] and constructive trust.

A *Pallant v Morgan* equity may arise where the arrangement or understanding on which it is based precedes the acquisition of the relevant property by one of the parties to the arrangement: it is the pre-acquisition arrangement which colours the subsequent acquisition by the defendant and leads to his being treated as a trustee if he seeks to act inconsistently with it[4]. It is unnecessary that the arrangement or understanding should be contractually enforceable[5]. Indeed, if it is, there is unlikely to be any need to invoke the *Pallant v Morgan* equity, since equity can act through the remedy of specific performance and will recognise the existence of a corresponding trust[6]. It is necessary that the pre-acquisition arrangement or understanding should contemplate that one party (the 'acquiring party') will take steps to acquire the relevant property, and that, if he does so, the other party (the 'non-acquiring party') will obtain some interest in that property[7]. Further it is necessary that (whatever private reservations the acquiring party may have) he has not informed the non-acquiring party before the acquisition (or, more accurately, before it is too late for the parties to be restored to a position of no advantage or detriment) that he no longer intends to honour the arrangement or understanding[8]. It is necessary that, in reliance on the arrangement or understanding the non-acquiring

party should do (or omit to do) something which confers an advantage on the acquiring party in relation to the acquisition of the property or which is detrimental to the ability of the non-acquiring party to acquire the property on equal terms[9]. It is the existence of the advantage to the one, or detriment to the other, gained or suffered as a consequence of the arrangement or understanding, which leads to the conclusion that it would be inequitable or unconscionable to allow the acquiring party to retain the property for himself, in a manner inconsistent with the arrangement or understanding which enabled him to acquire it[10]. Although in many cases the advantage or detriment will be found in the agreement of the non-acquiring party to keep out of the market, that is not a necessary feature[11]. Further, although there will usually be advantage to the one and co-relative disadvantage to the other, the existence of both advantage and detriment is not essential: either will do[12]. What is essential is that the circumstances make it inequitable for the acquiring party to retain the property for himself in a manner inconsistent with the arrangement or understanding on which the non-acquiring party has acted[13].

A *Pallant v Morgan* equity may also arise in relation to property already owned by one of the parties who will become a trustee on the basis that 'equity looks on that as done which ought to be done'[14]. It will not arise where an agreement has been made subject to contract with the intent that specific matters remain in a state of negotiation until a future agreement is made[15].

1 *Pallant v Morgan* [1953] Ch 43, [1952] 2 All ER 951. In that case there was an agreement between the claimant's and the defendant's respective agents that they would not compete against each other for a lot at auction, but that the defendant's agent alone should bid. The proper inference from the facts was that the defendant's agent, when he bid for the lot, was bidding at auction for both parties on an agreement that there should be an arrangement between the parties on the division of the lot if he were successful, as he was. There was too much uncertainty as to the terms of the arrangement for a decree of specific performance to be ordered, but the claimant was none the less entitled to a remedy. If the parties could not agree on a division, the property would have to be re-sold and the proceeds divided equally between them. In these circumstances, proprietary estoppel was inappropriate: the claimant had not suffered any detriment as a consequence of the agent's agreement not to bid, for he would have been outbid by the defendant's agent. However, the defendant had obtained an advantage by keeping the claimant out of the bidding, as he obtained the lot for less than he would have had to pay if the claimant had been bidding against him.

2 See *Banner Homes Group plc v Luff Developments Ltd* [2000] Ch 372 at 397, [2000] 2 All ER 117 at 137, CA, per Chadwick LJ.

3 As to proprietary estoppel see para 693 ante; and ESTOPPEL vol 16(2) (Reissue) para 1089 et seq.

4 See *Banner Homes Group plc v Luff Developments Ltd* [2000] Ch 372 at 397, [2000] 2 All ER 117 at 138, CA, per Chadwick LJ.

5 See *Banner Homes Group plc v Luff Developments Ltd* [2000] Ch 372 at 398, [2000] 2 All ER 117 at 138, CA, per Chadwick LJ.

6 See *Banner Homes Group plc v Luff Developments Ltd* [2000] Ch 372 at 398, [2000] 2 All ER 117 at 138, CA, per Chadwick LJ. As to specific performance see SPECIFIC PERFORMANCE.

7 See *Banner Homes Group plc v Luff Developments Ltd* [2000] Ch 372 at 398, [2000] 2 All ER 117 at 138, CA, per Chadwick LJ; applied in *Cox v Jones* [2004] EWHC 1486 (Ch), [2004] 3 FCR 693, [2004] 2 FLR 1010.

8 See *Banner Homes Group plc v Luff Developments Ltd* [2000] Ch 372 at 398, [2000] 2 All ER 117 at 138, CA, per Chadwick LJ.

9 See *Banner Homes Group plc v Luff Developments Ltd* [2000] Ch 372 at 398, [2000] 2 All ER 117 at 138–139, CA, per Chadwick LJ.

10 See *Banner Homes Group plc v Luff Developments Ltd* [2000] Ch 372 at 398, [2000] 2 All ER 117 at 139, CA, per Chadwick LJ.

11 See *Banner Homes Group plc v Luff Developments Ltd* [2000] Ch 372 at 399, [2000] 2 All ER 117 at 139, CA, per Chadwick LJ.

12 See *Banner Homes Group plc v Luff Developments Ltd* [2000] Ch 372 at 399, [2000] 2 All ER 117 at 139, CA, per Chadwick LJ.

13 See *Banner Homes Group plc v Luff Developments Ltd* [2000] Ch 372 at 399, [2000] 2 All ER 117 at 139, CA, per Chadwick LJ.

14 See *Banner Homes Group plc v Luff Developments Ltd* [2000] Ch 372 at 397, [2000] 2 All ER 117 at 138, CA, per Chadwick LJ ('the arrangement should be of sufficient certainty to be enforced specifically'). See also *London and Regional Investments Ltd v TBI plc* [2002] EWCA Civ 355 at [48], [2002] All ER (D) 360 (Mar) at [48] per Mummery LJ. However, a 'post-acquisition' constructive trust is not limited to a situation in which there is a specifically enforceable contract: see *Cobbe v Yeomans Row Management Ltd* [2005] EWHC 266 (Ch) at [48], [2005] 2 P & CR D2 at [48] per Etherington J (affd [2006] EWCA Civ 1139, [2006] WTLR 1473).

15 *London and Regional Investments Ltd v TBI plc* [2002] EWCA Civ 355 at [48], [2002] All ER (D) 360 (Mar) at [48] per Mummery LJ. See also *A-G of Hong Kong v Humphreys Estate (Queen's Gardens) Ltd* [1987] AC 114 at 127–128, [1987] 2 All ER 387 at 394–395, PC. However, there may be circumstances where one party has created a belief that he will not withdraw from the transaction: see *Holiday Inns Inc v Broadhead* (1974) 232 Estates Gazette 951, Ch; *Cobbe v Yeomans Row Management Ltd* [2005] EWHC 266, [2005] 2 P & CR D2 (affd [2006] EWCA Civ 1139, [2006] WTLR 1473).

B. THE FIDUCIARY AS CONSTRUCTIVE TRUSTEE

695. Renewable leaseholds. Where a person holding a lease as a trustee[1] or otherwise clothed with a fiduciary character towards other persons in relation to a lease[2] obtains a renewal of the lease, he normally[3] holds the renewed lease in trust for those persons to the extent of their respective interests[4]. The fact that the landlord expressly refused to renew for the benefit of the beneficiaries makes no difference[5] and it is immaterial that the new lease contains additional property and is at an increased rent[6]. Where the person clothed with a fiduciary character purchases the reversion, he holds the reversion on trust if the lease is renewable by custom or contract[7]. It has been held, however, that in the absence of fraud he does not hold the reversion on trust if the lease is not so renewable[8]. Nevertheless, without considering such cases, the Court of Appeal has held that, if a trustee who owns the leasehold gets in the freehold, the freehold belongs to the trust[9].

1 As to renewable leases comprised in settlements see SETTLEMENTS vol 42 (Reissue) paras 975–980.

2 *Re Biss, Biss v Biss* [1903] 2 Ch 40, CA, a lease of a shop of an intestate was held by his widow as administratrix; the landlord refused to renew the lease in her favour but one of her sons (helping her to run the shop) obtained a renewal for himself, and this was held unimpeachable as the son was not a fiduciary. A trustee is normally under a duty to obtain a renewal if he can do so on beneficial terms (*Re Biss, Biss v Biss* supra at 43 per Buckley J) but not in all circumstances (see *Harris v Black* (1983) 46 P & CR 366, CA). In *Savage v Dunningham* [1974] Ch 181, [1973] 3 All ER 429, a tenant of a flat who shared it with others, paying a contribution to the rent, was held not to be a fiduciary so that he retained the benefit of a 62-year lease granted to him.

3 If, on the true construction of a trust instrument, there is found an express or implied direction that the trustee may retain the renewed lease for his own benefit, there is no room for the application of the rule: *Re Knowles' Will Trusts, Nelson v Knowles* [1948] 1 All ER 866 at 870–871, CA.

4 *Plowman v Plowman* (1693) 2 Vern 289; *Keech v Sandford* (1726) Cas temp King 61; *Rakestraw v Brewer* (1728) 2 P Wms 511; *Blewett v Millett* (1774) 7 Bro Parl Cas 367; *Griffin v Griffin* (1804) 1 Sch & Lef 352; *James v Dean* (1808) 15 Ves 236; *Fitzgibbon v Scanlan* (1813) 1 Dow 261 at 269, HL, per Lord Eldon LC; *Hardman v Johnson* (1815) 3 Mer 347; *M'Nulty v Hamill* (1815) Beat 544; *Randall v Russell* (1817) 3 Mer 190; *Maunsell v O'Brien* (1835) 1 Jo Ex Ir 176; *Mill v Hill* (1852) 3 HL Cas 828; *Clegg v Edmondson* (1857) 8 De GM & G 787; *Archbold v Scully* (1861) 9 HL Cas 360; *Re Anderson's Estate* (1869) 18 WR 248; *Isaac v Wall* (1877) 6 ChD 706; *Re Morgan, Pillgrem v Pillgrem* (1881) 18 ChD 93, CA; *Re Lulham, Brinton v Lulham* (1885) 53 LT 9, CA; *Bevan v Webb* [1905] 1 Ch 620 at 625; *Re Knowles' Will Trusts, Nelson v Knowles* [1948] 1 All ER 866, CA. See also EQUITY vol 16(2) (Reissue) para 852. If the creator of the trust himself takes a renewed lease, he holds it for the trust: *Re Lulham, Brinton v Lulham* supra. Where leaseholds were settled and the husband of the tenant for life used his position as such to obtain a new lease, he was held to be in a fiduciary position and to hold the new lease on the trusts of the settlement: *Re Local Registration of Title (Ireland) Act 1891 and Smith* (1918) 52 ILT 113. As to the renewal of a lease of partnership premises see PARTNERSHIP vol 35 (Reissue) para 96; as to renewal by a tenant for life see SETTLEMENTS vol 42 (Reissue) para 975; and as to renewal by a mortgagee see MORTGAGE vol 32 (2005 Reissue) para 396.

5 *Keech v Sandford* (1726) Cas temp King 61; *Fitzgibbon v Scanlan* (1813) 1 Dow 261 at 269, HL, per Lord Eldon LC.

6 *Re Morgan, Pillgrem v Pillgrem* (1881) 18 ChD 93; but see *Acheson v Fair* (1843) 2 Con & Law 208.

7 *Re Lord Ranelagh's Will* (1884) 26 ChD 590; *Phillips v Phillips* (1885) 29 ChD 673, CA. Such a purchaser may have a charge on the trust estate for the purchase money paid: *Isaac v Wall* (1877) 6 ChD 706. See also SETTLEMENTS vol 42 (Reissue) para 980.

8 *Randall v Russell* (1817) 3 Mer 190 (where an original right of renewal of the lease by custom had been terminated by a statutory conveyance of the reversion before its purchase); *Longton v Wilsby* (1897) 76 LT 770; *Bevan v Webb* [1905] 1 Ch 620.

9 *Protheroe v Protheroe* [1968] 1 All ER 1111, [1968] 1 WLR 519, CA; followed in *Thompson's Trustee in Bankruptcy v Heaton* [1974] 1 All ER 1239, [1974] 1 WLR 605.

696. Accretions to trust property. Where an accretion of any kind comes to property held in trust or in a fiduciary capacity, the accretion cannot be retained by the holder of the property but forms part of the capital of the trust property for the benefit of the person or object beneficially interested in it[1].

1 *Re Curteis' Trusts* (1872) LR 14 Eq 217; *Aberdeen Town Council v Aberdeen University* (1877) 2 App Cas 544, HL; *Re Payne's Settlement, Kibble v Payne* (1886) 54 LT 840; *Lloyd-Jones v Clark-Lloyd* [1919] 1 Ch 424, CA. See also *Yem v Edwards* (1857) 1 De G & J 598. Where, however, a person is a trustee of property only in respect of a specific sum charged on it or payable out of it, and is absolute owner of the rest, he is beneficially entitled to the whole of any accretion to it: *Re Campbell, Campbell v Campbell* [1893] 3 Ch 468.

697. Profits from trust property or fiduciary relationship. The principle that a trustee must not profit from his trust[1] is sometimes a branch of the rule that a trustee must not put himself in a position in which his own interests and those of his beneficiaries may possibly conflict[2] and sometimes merely an application of the principle that that which is the fruit of trust property or of the trusteeship is itself trust property[3]. A trustee or other fiduciary is liable to account for profits arising directly or indirectly from the trust property itself or for profits acquired by reason of the fiduciary relationship[4].

These principles do not apply where a trustee has been positively enabled to make a profit out of his position by the testator or settlor under whose disposition the trust arose, for instance where he has been given an express power to distribute a fund among a class including himself[5]. Moreover, in exceptional circumstances the court has jurisdiction to relax these principles[6].

It has been held that a trustee's liability is merely a personal liability to account where by reason of the fiduciary relationship he obtained a personal advantage for himself by way of a bribe or a commission[7]; but the main authority[8] for that proposition has now been doubted by the Privy Council[9] which has said that that authority is not consistent with the principles that a fiduciary must not be allowed to benefit from his own breach of duty, that he should account for the bribe as soon as he receives it and that equity regards as done that which ought to be done. It follows that the bribe and the property from time to time representing it (and other property received in breach of his fiduciary duties) are held on constructive trust so that the beneficiaries will have a proprietary tracing claim[10].

Unless otherwise authorised by the trust instrument[11], the trustee or other fiduciary is under a stringent duty to account for any profits. It is immaterial that he acted honestly and in his beneficiaries' best interests, that they would not otherwise have obtained the profits and that the profits were obtained through use of his assets and skills[12]. Remuneration may, however, be awarded to a particular trustee in respect of skills of special value[13]. A partner may make a profit from information obtained in the course of the partnership business where he does so in another firm which is outside the scope of the partnership business[14].

1 As to the accountability of trustees who profit from the trust see para 928 post.

2 See para 927 post. 'May possibly conflict' means that the reasonable man looking at the relevant facts and circumstances of the particular case would think that there was a real sensible possibility of conflict:

Boardman v Phipps [1967] 2 AC 46 at 124, [1966] 3 All ER 721 at 756, HL, per Upjohn LJ. Once a fiduciary's powers have ceased the rule will no longer apply; hence, a director who has resigned office is no longer subject to the 'no conflict' rule: *CMS Dolphin Ltd v Simonet* [2001] 2 BCLC 704; *Quarter Master UK Ltd v Pyke* [2004] EWHC 1815 (Ch), [2005] 1 BCLC 245; *British Midland Tool Ltd v Midland International Tooling Ltd* [2003] EWHC 466 (Ch), [2003] 2 BCLC 523. However, resignation will not preclude a director from liability where the resignation may fairly be said to have been prompted or influenced by a wish to acquire for himself any maturing business opportunity sought by a company: *Industrial Development Consultants Ltd v Cooley* [1972] 2 All ER 162, [1972] 1 WLR 443; *CMS Dolphin Ltd v Simonet* [2001] 2 BCLC 704, [2001] All ER (D) 294 (May). A director is not in breach where either the company's hope of obtaining the contract was not a maturing business opportunity, or where the resignation was not itself prompted or influenced by a wish to obtain the business for the retiring director: *Foster Bryant Surveying Ltd v Bryant* [2007] EWCA Civ 200, [2007] All ER (D) 213 (Mar).

3 See *Swain v Law Society* [1981] 3 All ER 797 at 813, [1982] 1 WLR 17 at 36, CA, per Oliver LJ.

4 *Swain v Law Society* [1981] 3 All ER 797 at 814, [1982] 1 WLR 17 at 37, CA, per Oliver LJ (approved [1983] 1 AC 598 at 619, [1982] 2 All ER 827 at 838, HL, per Lord Brightman, although the House of Lords reversed the decision of the Court of Appeal on the basis that the Law Society was performing a public duty). See also *Brown v IRC* [1965] AC 244, [1964] 3 All ER 119, HL; *Boardman v Phipps* [1967] 2 AC 46, [1966] 3 All ER 721, HL; *O'Sullivan v Management Agency and Music Ltd* [1985] QB 428, [1985] 3 All ER 351, CA; *Alimand Computer Systems v Radcliffes & Co* (1991) Times, 6 November; *Satnam Investments Ltd v Dunlop Heywood & Co Ltd* [1999] 3 All ER 652, [1999] 1 BCLC 385, CA; *Wilkinson v West Coast Capital* [2005] EWHC 3009 (Ch), [2005] All ER (D) 346 (Dec). See further EQUITY vol 16(2) (Reissue) para 858. There is no generally agreed definition of 'fiduciary relationship' but see *Bristol and West Building Society v Mothew* [1998] Ch 1, [1996] 4 All ER 698, CA; *MacLean v Arklow Investments Ltd* [2000] 1 WLR 594, PC; and para 1084 post. See also Snell's Equity (31st Edn, 2005) pp 147–148.

5 *Sergeant v National Westminster Bank plc* (1990) 61 P & CR 518, CA; *Edge v Pensions Ombudsman* [1998] Ch 512, [1998] 2 All ER 547 (affd [2000] Ch 602, [1999] 4 All ER 546, CA).

6 *Re Drexel Burnham Lambert Pension Plan* [1995] 1 WLR 32, where the matter arose in connection with a pension scheme under which a trustee was himself an employee and a member of the scheme. This particular situation is now the subject of a statutory exception to the rule: see the Pensions Act 1995 s 39; and SOCIAL SECURITY AND PENSIONS vol 44(2) (Reissue) para 794.

7 *Lister & Co v Stubbs* (1890) 45 ChD 1, CA (court refused an interlocutory injunction to freeze assets purchased with bribe money as there was no proprietary interest in them). See para 618 note 4 ante. See also *Metropolitan Bank v Heiron* (1880) 5 Ex D 319, CA; *Powell and Thomas v Evan Jones & Co* [1905] 1 KB 11, CA; *Islamic Republic of Iran Shipping Lines v Denby* [1987] 1 Lloyd's Rep 367. As to the remedy of account for breach of trust see para 1109 post; and as to the jurisdiction to grant injunctions to freeze assets see INJUNCTIONS vol 24 (Reissue) paras 866–871.

8 Ie *Lister & Co v Stubbs* (1890) 45 ChD 1, CA: see the text and note 7 supra. See also para 618 note 4 ante.

9 See *A-G for Hong Kong v Reid* [1994] 1 AC 324, [1994] 1 All ER 1, PC. See also *A-G's Reference (No 1 of 1985)* [1986] QB 491, [1986] 2 All ER 219, CA; and para 618 note 4 ante.

10 *Daraydan Holdings Ltd v Solland International Ltd* [2004] EWHC 622 (Ch), [2005] Ch 119, [2005] 4 All ER 73; *Cave v Mackenzie* (1877) 46 LJ Ch 564; *Re Cape Breton Co* (1885) 29 ChD 795 at 803–804, CA; *Griffith v Owen* [1907] 1 Ch 195; *Longfield Parish Council v Robson* (1913) 29 TLR 357; *Cook v Deeks* [1916] 1 AC 554, PC; *Industrial Development Consultants Ltd v Cooley* [1972] 2 All ER 162, [1972] 1 WLR 443. For analysis of the proprietary remedy in recent cases on personal exploitation of commercial opportunities see *Ultraframe (UK) Ltd v Fielding* [2005] EWHC 1638 (Ch) at [1343]–[1356], [2005] All ER (D) 397 (Jul) at [1343]–[1356] per Lewison J.

11 *Re Waterman's Will Trusts, Lloyds Bank Ltd v Sutton* [1952] 2 All ER 1054; *Re Llewellin's Will Trusts, Griffiths v Wilcox* [1949] Ch 225, [1949] 1 All ER 487. See also para 928 note 1 post.

12 *Regal (Hastings) Ltd v Gulliver* [1967] 2 AC 134n, [1942] 1 All ER 378, HL; *Boardman v Phipps* [1967] 2 AC 46, [1966] 3 All ER 721, HL; *Industrial Development Consultants Ltd v Cooley* [1972] 2 All ER 162, [1972] 1 WLR 443; *Gwembe Valley Development Ltd v Koshy (No 3)* [2003] EWCA Civ 1048, [2004] 1 BCLC 131.

13 See *Boardman v Phipps* [1967] 2 AC 46, [1966] 3 All ER 721, HL; *Re Duke of Norfolk's Settlement Trusts, Earl of Perth v Fitzalan-Howard* [1982] Ch 61, [1981] 3 All ER 220, CA; and paras 936, 1060 post. As to the accountability of directors for profits made out of their company see COMPANIES vol 7(1) (2004 Reissue) para 1093. See also *Queensland Mines Ltd v Hudson* (1978) 18 ALR 1, PC (where the court took a more favourable view of a director who had taken advantage of an opportunity which a fully informed board of directors had rejected). For the distinction between the position of de facto and shadow directors see *Ultraframe (UK) Ltd v Fielding* [2005] EWHC 1638 at [1289]–[1291], [2005] All ER (D) 397 (Jul) at [1289]–[1291] per Lewison J.

14 *Aas v Benham* [1891] 2 Ch 244, CA; approved in *Boardman v Phipps* [1967] 2 AC 46, [1966] 3 All ER 721, HL. A solicitor is under no duty to his client to account for profit from a joint venture in circumstances where the client understands the terms and effect of the agreement and those terms are fair: *Hanson v Lorenz and Jones* [1987] 1 FTLR 23, (1986) 136 NLJ 1088, CA. See also PARTNERSHIP vol 35 (Reissue) para 94.

C. THIRD PARTIES AS CONSTRUCTIVE TRUSTEE

698. Intermeddling with trust. A person who, not being a trustee[1] and not having authority from a trustee, takes upon himself to intermeddle with trust matters or to do acts characteristic of the office of trustee makes himself a trustee de son tort, that is a trustee by virtue of his own wrongdoing, or, as such a person is also called, a constructive trustee[2]. The responsibility which attaches to a trustee may extend in equity to a person who is not properly a trustee if he either makes himself a trustee de son tort or actually participates in any improper conduct of a trustee to the injury of the beneficiaries[3].

A person who is employed as solicitor or agent for trust property may become a constructive trustee or trustee de son tort by intermeddling with the performance of the trust[4], or by dealing with the property in a manner not warranted by the terms of his employment or agency[5], or in a manner inconsistent with the performance of trusts of which he is cognisant[6]. A person does not, however, become a constructive trustee merely by acting as the solicitor or agent of trustees in transactions within their legal powers, even though the transactions may be of a character of which a court of equity would disapprove, unless he receives and becomes chargeable with some part of the trust property, or unless he dishonestly assists in a breach of trust on the trustees' part[7]. The law is reluctant to make a mere agent a constructive trustee: there must be a want of probity[8].

1 A person whose acts are referable to his appointment as a trustee is not to be deemed a trustee de son tort: *Mara v Browne* [1896] 1 Ch 199 at 207, CA, per Lord Herschell.

2 *Re Barney, Barney v Barney* [1892] 2 Ch 265; *Mara v Browne* [1896] 1 Ch 199 at 209, CA, per AL Smith LJ; *Williams-Ashman v Price and Williams* [1942] Ch 219, [1942] 1 All ER 310; *Selangor United Rubber Estates Ltd v Cradock (No 3)* [1968] 2 All ER 1073 at 1095, [1968] 1 WLR 1555 at 1579; *Carl Zeiss Stiftung v Herbert Smith & Co (No 2)* [1969] 2 Ch 276, [1969] 2 All ER 367, CA. A person who, without having been validly appointed, acts as trustee is liable as such: *Rackham v Siddall* (1849) 1 Mac & G 607 at 621 per Lord Cottenham LC; *Pearce v Pearce* (1856) 22 Beav 248; *Hennessey v Bray* (1863) 33 Beav 96 at 102. If a person, not expressly a trustee, buys property or otherwise enters into transactions with the money of another, the law raises a trust by implication and clothes that person with a fiduciary character for the purpose of making him accountable: *Docker v Somes* (1834) 2 My & K 655 at 665 per Lord Brougham LC. Cf *Re Franklyn, Franklyn v Franklyn* (1913) 30 TLR 187, CA. An executor de son tort who had behaved as if he were the sole owner of his intestate father's property for some 25 years was held to be a constructive trustee for the beneficiaries under the intestacy (including himself) in *James v Williams* [2000] Ch 1, [1999] 3 All ER 309, CA.

3 *Portlock v Gardner* (1842) 1 Hare 594 at 606; *A-G v Leicester Corpn* (1844) 7 Beav 176; *Bridgman v Gill* (1857) 24 Beav 302; *Rolfe v Gregory* (1865) 4 De GJ & Sm 576; *Barnes v Addy* (1874) 9 Ch App 244 at 251–252 per Lord Selborne LC; *Re Bell, Lake v Bell* (1886) 34 ChD 462; *Soar v Ashwell* [1893] 2 QB 390, CA. As to participation in breaches of trust giving rise to liability see para 704 post.

4 *Myler v FitzPatrick* (1822) 6 Madd 360; *Hardy v Caley* (1864) 33 Beav 365; *Archer v Lavender* (1875) IR 9 Eq 220 at 225.

5 *Morgan v Stephens* (1861) 3 Giff 226; *Lee v Sankey* (1873) LR 15 Eq 204.

6 *Lee v Sankey* (1873) LR 15 Eq 204 at 211 per Bacon V-C; and see para 703 post. As to the wrongful acts which will make an agent liable as a constructive trustee see *Carl Zeiss Stiftung v Herbert Smith & Co (No 2)* [1969] 2 Ch 276 at 304, [1969] 2 All ER 367 at 384, CA, per Davies LJ.

7 *Barnes v Addy* (1874) 9 Ch App 244 at 251–252; *Archer v Lavender* (1875) IR 9 Eq 220 at 225 per Chatterton V-C. This paragraph was cited with approval by Danckwerts LJ in *Carl Zeis Stiftung v Herbert Smith & Co (No 2)* [1969] 2 Ch 276 at 290, [1969] 2 All ER 367 at 373, CA, but these dicta must now be read in the light of *Royal Brunei Airlines Sdn Bhd v Tan* [1995] 2 AC 378, [1995] 3 All ER 97, PC: see para 704 post.

A person employed as agent of trustees is not accountable to beneficiaries interested in the trust money unless he intermeddles in the trust by doing acts characteristic of a trustee and outside the duties of an agent: *Williams-Ashman v Price and Williams* [1942] Ch 219, [1942] 1 All ER 310. The fact that a person has had trust funds in his hands as solicitor to the trustees does not make him chargeable as a constructive trustee: see para 703 post. As to the liability of a firm of solicitors where one partner concurs in a breach of trust or constitutes himself a constructive trustee see SOLICITORS vol 44(1) (Reissue) para 157.

8 *Carl Zeiss Stiftung v Herbert Smith & Co (No 2)* [1969] 2 Ch 276, [1969] 2 All ER 367, CA; *Eagle Trust plc v SBC Securities Ltd* [1992] 4 All ER 488, [1993] 1 WLR 484.

699. Receipt without notice of trust. A person who, without notice of the trust, acquires property or an interest in property which is in fact subject to a subsisting trust takes the property as a trustee and subject to the performance of the trust if he acquires gratuitously either the legal estate[1] or an equitable interest in the property[2], or if he acquires for valuable consideration an equitable interest in the property without the right to call for the legal estate[3]. In the latter case, however, he can protect himself from the trust by afterwards getting in the legal estate from a person who commits no breach of trust in parting with it to him[4], although he cannot do so by obtaining the legal estate from a person who is not justified in equity in transferring it to him[5]. However, he takes the property discharged from the trust, provided that he can show that he had no notice of it, if he acquires the legal estate in the property for valuable consideration[6], or acquires an equitable interest in it for valuable consideration and at the same time acquires a paramount right to call for the legal estate[7]. Even if he no longer has the trust property or its traceable proceeds[8], a person who has acquired the trust property may be liable as a constructive trustee on the basis of knowing receipt or dealing[9]. However, a recipient of trust money will not be personally liable if he pays it away to a third party where at the date of payment he was ignorant of the existence of the trust[10].

1 Where property is subject to a trust, the trust follows the legal estate wherever it goes, unless it comes into the hands of a purchaser for valuable consideration without notice: *A-G v Lady Downing* (1767) Wilm 1 at 21 per Wilmot CJ. See also para 659 text and note 5 ante.

2 *Taylor v Blakelock* (1886) 32 ChD 560 at 568–570, CA.

3 *Maundrell v Maundrell* (1805) 10 Ves 246 at 260; *Newton v Newton* (1868) 4 Ch App 143; *Mumford v Stohwasser* (1874) LR 18 Eq 556.

4 *Maundrell v Maundrell* (1805) 10 Ves 246 at 260; *Carter v Carter* (1857) 3 K & J 617; *Bates v Johnson* (1859) John 304; *Sharples v Adams* (1863) 32 Beav 213 at 216 per Romilly MR; *Taylor v Russell* [1892] AC 244, HL; *Bailey v Barnes* [1894] 1 Ch 25 at 37, CA; *McCarthy and Stone Ltd v Julian S Hodge & Co Ltd* [1971] 2 All ER 973 at 981, [1971] 1 WLR 1547 at 1556. He can protect himself even though he gets in the legal estate after he has notice of the trust: *Bailey v Barnes* supra. Where a purchaser for value without notice of an equitable title acquires an inchoate title and after notice completes it by getting in the legal estate, he will not as an ordinary rule be deprived, in favour of a person having only an equitable title, of the advantage which he has thereby gained: *Dodds v Hills* (1865) 2 Hem & M 424; *Roots v Williamson* (1888) 38 ChD 485 at 497–498 per Stirling J. In relation to mortgages, the application of the principle that the purchaser can protect himself against equitable interests by getting in the legal estate has been affected by the abolition of the doctrine of tacking so far as it enabled one incumbrancer to obtain priority over another by getting in the legal estate: see EQUITY vol 16(2) (Reissue) para 574; MORTGAGE vol 32 (2005 Reissue) paras 464–465.

5 *Sharples v Adams* (1863) 32 Beav 213 at 216.

6 *Thorndike v Hunt, Browne v Butter* (1859) 3 DeG & J 563; *Pilcher v Rawlins* (1872) 7 Ch App 259; *Heath v Crealock* (1874) 10 Ch App 22; *Taylor v Blakelock* (1886) 32 ChD 560, CA. See also EQUITY vol 16(2) (Reissue) para 570. Absence of notice of the trust is essential to his immunity from liability: *Lady Bodmin v Vandenbendy* (1683) 1 Vern 179; *Anon* (1683) 2 Vent 361. A subsequent purchaser from him is not affected by notice of the trust, as the property has been discharged from it by the previous purchase without notice: *Brandlyn v Ord* (1738) 1 Atk 571; *Lowther v Carlton* (1741) 2 Atk 242; *M'Queen v Farquhar* (1805) 11 Ves 467 at 478 per Lord Eldon LC; *Wilkes v Spooner* [1911] 2 KB 473, CA. The only exception to the rule which protects a purchaser with notice who takes from a purchaser without notice is that which prevents a trustee from buying back trust property which he has sold, or a person who has acquired property by fraud from saying that he sold it to a purchaser in good faith without notice and has repurchased it from him: *Barrow's Case* (1880) 14 ChD 432 at 445, CA, per Jessel MR.

7 *Wilkes v Bodington* (1707) 2 Vern 599; *Stanhope v Earl Verney* (1761) 2 Eden 81; *Wilmot v Pike* (1845) 5 Hare 14 at 22 per Wigram V-C; *Rooper v Harrison* (1855) 2 K & J 86; *Taylor v London and County Banking Co, London and County Banking Co v Nixon* [1901] 2 Ch 231 at 262–263, CA, per Stirling LJ.

8 As to tracing see para 1134 post; and EQUITY vol 16(2) (Reissue) paras 861–866.

9 See paras 700–701 post.

10 *Westdeutsche Landesbank Girozentrale v Islington London Borough Council* [1996] AC 669 at 705, [1996] 2 All ER 961 at 988, HL, per Lord Browne-Wilkinson; *Bristol and West Building Society v Mothew (t/a Stapley & Co)* [1998] Ch 1 at 23, [1996] 4 All ER 698 at 716–717, CA, per Millett LJ.

700. Receipt with notice of trust. Where a person, whether gratuitously or for valuable consideration, acquires property or an interest in property which is subject to a subsisting trust, he becomes a trustee of it for the purposes of the trust if he has either actual or constructive notice of the trust[1]. If he has parted with the property, he may yet be liable as a constructive trustee on the basis of knowing receipt or dealing[2].

In the absence of fraud, a trustee[3] or personal representative[4] acting for the purposes of more than one trust[5] or estate is not affected by notice of any instrument, matter, fact or thing in relation to any particular trust or estate if he has obtained notice of it merely by reason of his acting or having acted for the purposes of another trust or estate[6].

1 *Saunders v Dehew* (1692) 2 Vern 271; *Thompson v Simpson* (1841) 1 Dr & War 459 at 486; *Allen v Knight* (1847) 11 Jur 527; *Rolfe v Gregory* (1865) 4 De GJ & Sm 576; *Baillie v M'Kewan* (1865) 35 Beav 177; *Boursot v Savage* (1866) LR 2 Eq 134; *Mumford v Stohwasser* (1874) LR 18 Eq 556; *Nelson v Larholt* [1948] 1 KB 339, [1947] 2 All ER 751 (where cheques were drawn on an executor's account for the executor's own purposes, and the recipient had notice of want of authority).

The sentence in the text was approved as correctly stating the law by Danckwerts LJ in *Carl Zeiss Stiftung v Herbert Smith & Co (No 2)* [1969] 2 Ch 276 at 290, [1969] 2 All ER 367 at 372, CA (mere knowledge of a claim that a trust existed held not to be sufficient to amount to notice of a trust).

A person buying real estate with notice of the rights of another in it is a trustee for him in respect of it: *Loke Yew v Port Swettenham Rubber Co Ltd* [1913] AC 491, PC. As to what is constructive notice see *Cookson v Lee* (1853) 23 LJ Ch 473, CA; *Hodgson v Marks* [1971] Ch 892, [1971] 2 All ER 684, CA. See also the Law of Property Act 1925 s 199; the Land Charges Act 1972 s 18(6); and EQUITY vol 16(2) (Reissue) para 580. A person is held to have constructive notice of the trust if he abstains from making proper inquiries which would have led to his discovering its existence: *Justice v Wynne* (1860) 12 I Ch R 289, CA. See also *Williams v Williams* (1881) 17 ChD 437. Constructive notice is as good as any other notice: *Cookson v Lee* supra at 478 per Lord Cranworth LC. See further EQUITY vol 16(2) (Reissue) paras 580–583.

2 See para 701 post.

3 For the meaning of 'trustee' see para 601 ante.

4 For the meaning of 'personal representative' see para 602 note 1 ante.

5 For the meaning of 'trust' see para 601 ante.

6 Trustee Act 1925 s 28.

701. Knowing receipt or dealing: recipient liability. A recipient may be liable where he (1) knowingly receives trust property in breach of trust ('receipt of property constructive trust'); or (2) receives trust property without notice of the trust and subsequently deals with it in a manner inconsistent with the trusts of which he has become cognisant ('wrongful dealing constructive trust'); or (3) receives trust property knowing it to be such but without breach of trust and subsequently deals with it in a manner inconsistent with the trusts[1].

Head (3) above relates to a person, usually an agent of the trustees, who receives the trust property lawfully and not for his own benefit but who then either misappropriates it or otherwise deals with it in a manner which is inconsistent with the trust. He is liable to account as a constructive trustee if he received the trust property knowing it to be such, although he will not necessarily be required in all circumstances to have known the exact terms of the trust[2].

Heads (1) and (2) above relate to a person who receives[3] for his own benefit trust property transferred to him in breach of trust. The claimant in these situations must

show (a) a disposal of his assets in breach of fiduciary duty; (b) the beneficial receipt by the defendant of assets which are traceable as representing the assets of the claimant; and (c) knowledge on the part of the defendant that the assets he received are traceable to a breach of fiduciary duty[4]. The receipt must be the direct consequence of the alleged breach of trust or fiduciary duty of which the recipient is said to have notice[5]. It is immaterial whether the breach of trust was fraudulent or not[6].

1 As to the division into categories see *Agip (Africa) Ltd v Jackson* [1990] Ch 265 at 291–293, [1992] 4 All ER 385 at 403–405 per Millett J (affd [1991] Ch 547, [1992] 4 All ER 451, CA); *Metall und Rohstoff AG v Donaldson Lufkin & Jenrette Inc* [1990] 1 QB 391 at 474, [1989] 3 All ER 14 at 53, CA, per Slade LJ. See also *Re Montagu's Settlement Trusts, Duke of Manchester v National Westminster Bank Ltd* [1987] Ch 264, [1992] 4 All ER 308; *Lipkin Gorman (a firm) v Karpnale Ltd* [1992] 4 All ER 331, [1987] 1 WLR 987 (revsd in part [1992] 4 All ER 409, [1989] 1 WLR 1340, CA; revsd in part [1991] 2 AC 548, [1992] 4 All ER 512, HL (relying on the law of restitution: see RESTITUTION)); *Baden v Société Générale pour Favoriser le Développement du Commerce et de L'Industrie en France SA* [1992] 4 All ER 161, [1993] 1 WLR 509n (affd without the question of constructive trust being raised [1992] 4 All ER 279n, CA). See further *Lee v Sankey* (1873) LR 15 Eq 204; *Barnes v Addy* (1874) 9 Ch App 244; *Re Barney v Barney, Barney* [1892] 2 Ch 265; *Soar v Ashwell* [1893] 2 QB 390, CA; *Re Eyre-Williams, Williams v Williams* [1923] 2 Ch 533; *Nelson v Larholt* [1948] 1 KB 339, [1947] 2 All ER 751; *GL Baker Ltd v Medway Building and Supplies Ltd* [1958] 3 All ER 540, [1958] 1 WLR 1216, CA; *Westpac Banking Corpn v Savin* [1985] 2 NZLR 41, NZ CA; *Hillsdown Holdings plc v Pensions Ombudsman* [1997] 1 All ER 862; *Satnam Investments Ltd v Dunlop Heywood & Co Ltd* [1999] 3 All ER 652, [1999] 1 BCLC 385, CA. These cases must now be read, in relation to knowledge, in the light of *Bank of Credit and Commerce International (Overseas) Ltd (in liquidation) v Akindele* [2001] Ch 437, [2000] 4 All ER 221, CA. However, see also *Criterion Properties plc v Stratford UK Properties LLC* [2004] UKHL 28, [2004] 1 WLR 1846, [2006] 1 BCLC 729, HL (true issue was whether or not the directors had actual or apparent authority to enter into the agreement; Lord Nicholls of Birkenhead said at [1]–[5] that the 'Court of Appeal in Akindele's case had fallen into error on this point'). As to the liability of agents see para 703 post.

2 *Foxton v Manchester and Liverpool District Banking Co* (1881) 44 LT 406.

3 *Agip (Africa) Ltd v Jackson* [1990] Ch 265 at 291–292, [1992] 4 All ER 385 at 403–404 per Millett J; affd [1991] Ch 547, [1992] 4 All ER 451, CA. The court will pierce the corporate veil and recognise the receipt by a company as that of the individual in control of it if the company is used as a device or façade to conceal the true facts thereby avoiding or concealing any liability of those individuals: *Trustor AB v Smallbone (No 2)* [2001] 3 All ER 987, [2001] 1 WLR 1177. See also *Houghton v Fayers* [2000] 1 BCLC 511, (2000) Times, 9 February, CA.

4 *El Ajou v Dollar Land Holdings plc* [1994] 2 All ER 685 at 700, [1994] 1 BCLC 464 at 478, CA, per Hoffman LJ; *Brown v Bennett* [1999] 1 BCLC 649, [1999] BCC 525, CA; *Bank of Credit and Commerce International (Overseas) Ltd (in liquidation) v Akindele* [2001] Ch 437, [2000] 4 All ER 221, CA. As to the type of knowledge which is required see para 702 post.

5 See *Brown v Bennett* [1999] 1 BCLC 649 at 655, [1999] BCC 525 at 530, CA, per Morritt LJ.

6 *Agip (Africa) Ltd v Jackson* [1990] Ch 265 at 292, [1992] 4 All ER 385 at 404 per Millett J (affd without considering the question of constructive trust [1991] Ch 547, [1992] 4 All ER 451, CA); *Cowan de Groot Properties Ltd v Eagle Trust plc* [1992] 4 All ER 700; *Polly Peck International plc v Nadir (No 2)* [1992] 4 All ER 769 at 777, CA, per Scott LJ; *Bank of Credit and Commerce International (Overseas) Ltd (in liquidation) v Akindele* [2001] Ch 437, [2000] 4 All ER 221, CA.

702. 'Receipt of property constructive trust' and 'wrongful dealing constructive trust'; type of knowledge or notice required. In order to constitute a person who takes trust property or trust money for his own purposes a constructive trustee of it, he must have knowledge or notice that it is trust property or trust money and that it is being misapplied by being transferred to him or that his dealing with the property or money is a misapplication of it[1]. Accordingly, a recipient of trust money will not be personally liable if he pays it away to a third party where at the date of payment he was ignorant of the existence of the trust[2].

The court has referred to a fivefold categorisation of knowledge[3]. However, the Court of Appeal has said that there should be a single test of knowledge for knowing receipt, under which all that is necessary is that the recipient's state of knowledge should be such as to make it unconscionable for him to retain the benefit of the receipt[4]. A test

in that form, though it cannot any more than any other avoid difficulties of application, ought to avoid those of definition and allocation to which the previous categorisations have led[5].

Dishonesty on the part of the defendant is not a necessary ingredient of liability in knowing receipt. It is only necessary to show that the defendant knew that the moneys paid to him were trust moneys and of circumstances which made the payment a misapplication of them. It is not necessary to show that the defendant was in any sense a participator in a fraud[6], nor is there any requirement that the misapplication of trust funds should be fraudulent[7]. In the case of a company, the knowledge can be that of a director[8] or person who is the company's directing mind and will[9].

1 *Bank of Credit and Commerce International (Overseas) Ltd (in liquidation) v Akindele* [2001] Ch 437, [2000] 4 All ER 221, CA. See also *Colchester Corpn v Lowten* (1813) 1 Ves & B 226 at 246 per Lord Eldon LC; *Russell v Wakefield Waterworks Co* (1875) LR 20 Eq 474 at 479 per Jessel MR; *Re Blundell, Blundell v Blundell* (1888) 40 ChD 370; *Moxham v Grant* [1900] 1 QB 88, CA. A distinction should be drawn between the equitable doctrine of tracing where the doctrine of notice is relevant and the imposition of a constructive trust by reason of the knowing receipt of trust property where the basic question is whether the conscience of the recipient is sufficiently affected to justify the imposition of a constructive trust creating personal obligations; and this depends primarily on the knowledge of the recipient and not on notice to him: *Re Montagu's Settlement Trusts, Duke of Manchester v National Westminster Bank Ltd* [1987] Ch 264, [1992] 4 All ER 308. See also *Carl Zeiss Stiftung v Herbert Smith & Co (No 2)* [1969] 2 Ch 276 at 290, [1969] 2 All ER 367 at 372, CA (where knowledge of a claim that a trust existed was held not sufficient to amount to notice of misapplication); *Polly Peck International plc v Nadir (No 2)* [1992] 4 All ER 769, CA.

2 *Westdeutsche Landesbank Girozentrale v Islington London Borough Council* [1996] AC 669 at 705–706, [1996] 2 All ER 961 at 988, HL, per Lord Browne-Wilkinson; *Bristol and West Building Society v Mothew (t/a Stapley & Co)* [1998] Ch 1 at 23, [1996] 4 All ER 698 at 716–717, CA, per Millett LJ.

3 *Baden v Société Générale pour Favoriser le Développement du Commerce et de l'Industrie en France SA* [1992] 4 All ER 161, [1993] 1 WLR 509n; affd [1992] 4 All ER 279n, CA (where the claim in constructive trust was based squarely on knowing assistance and not on knowing receipt). The categories were namely: (1) actual knowledge; (2) wilfully shutting one's eyes to the obvious ('Nelsonian knowledge'); (3) wilfully and recklessly failing to make such inquiries as an honest and reasonable person would make; (4) knowledge of circumstances which would indicate the facts to an honest and reasonable person; (5) knowledge of circumstances which would put an honest person on inquiry. In general, the first three categories were taken to constitute actual knowledge or its equivalent, and the last two constructive knowledge: see *Baden v Société Générale pour Favoriser le Développement du Commerce et de l'Industrie en France SA* supra. See also *Re Montagu's Settlement Trusts, Duke of Manchester v National Westminster Bank Ltd* [1987] Ch 264, [1992] 4 All ER 308; *Agip (Africa) Ltd v Jackson* [1990] Ch 265, [1992] 4 All ER 385 (affd without considering the question of constructive trust [1991] Ch 547, [1992] 4 All ER 451, CA); *Eagle Trust plc v SBC Securities Ltd* [1992] 4 All ER 488, [1993] 1 WLR 484; *Cowan de Groot Properties Ltd v Eagle Trust plc* [1992] 4 All ER 700; *Polly Peck International plc v Nadir (No 2)* [1992] 4 All ER 769, CA. See further *Lipkin Gorman (a firm) v Karpnale Ltd* [1992] 4 All ER 331, [1987] 1 WLR 987 (revsd in part [1992] 4 All ER 409, [1989] 1 WLR 1340, CA; revsd in part [1991] 2 AC 548, [1992] 4 All ER 512, HL); *Barclays Bank plc v Quincecare Ltd* [1992] 4 All ER 363. In considering whether a particular person is to be treated as having had the requisite knowledge, the court must have regard to the attributes of that person: *International Sales and Agencies Ltd v Marcus* [1982] 3 All ER 551; *Re Clasper Group Services Ltd* [1989] BCLC 143. See also *Jonathan v Tilley* (30 June 1995) Lexis, CA; *Dubai Aluminium Ltd v Salaam* [1999] 1 Lloyd's Rep 415. It has been held that in commercial transactions not involving the purchase of land the courts will not readily import a duty to make inquiries (*Manchester Trust v Furness* [1895] 2 QB 539, CA; *Feuer Leather Corpn v Frank Johnstone & Sons* [1981] Com LR 251), but will do so, on the basis of what a reasonable person would have learnt, to a person who is guilty of commercially unacceptable conduct in the particular context involved (*Cowan de Groot Properties Ltd v Eagle Trust plc* supra at 761 per Knox J).

4 See *Bank of Credit and Commerce International (Overseas) Ltd (in liquidation) v Akindele* [2001] Ch 437 at 455, [2000] 4 All ER 221 at 235, CA, per Nourse LJ, who said that the purpose of categorisation could only be to enable the court to determine whether the recipient can conscientiously retain the funds against the company (see *Belmont Finance Corpn v Williams Furniture Ltd (No 2)* [1980] 1 All ER 393 at 405, CA, per Buckley LJ) or whether the recipient's conscience is sufficiently affected for it to be right to bind him by the obligations of a constructive trustee (see *Re Montagu's Settlement Trusts, Duke of Manchester v National Westminster Bank Ltd* [1987] Ch 264 at 273, [1992] 4 All ER 308 at 319 per Megarry V-C). But if that is the purpose, there is no need for categorisation.

5 *Bank of Credit and Commerce International (Overseas) Ltd (in liquidation) v Akindele* [2001] Ch 437 at 455, [2000] 4 All ER 221 at 235–236, CA, per Nourse LJ.

6 *Belmont Finance Corpn v Williams Furniture Ltd (No 2)* [1980] 1 All ER 393, CA; *Bank of Credit and Commerce International (Overseas) Ltd (in liquidation) v Akindele* [2001] Ch 437 at 448–450, [2000] 4 All ER 221 at 229–231, CA; *Eagle Trust plc v SBC Securities Ltd* [1992] 4 All ER 488 at 501, [1993] 1 WLR 484 at 497.

7 *Agip (Africa) Ltd v Jackson* [1990] Ch 265 at 292, [1992] 4 All ER 385 at 404 (affd without considering the question of constructive trust [1991] Ch 547, [1992] 4 All ER 451, CA); *Eagle Trust plc v SBC Securities Ltd* [1992] 4 All ER 488 at 501, [1993] 1 WLR 484 at 497 per Vinelott J; *Polly Peck International plc v Nadir (No 2)* [1992] 4 All ER 769 at 777, CA, per Scott LJ.

8 *Crown Dilmun v Sutton* [2004] EWHC 52 (Ch) at [193], [2004] 1 BCLC 468 at [193] per Peter Smith J.

9 *Crown Dilmun v Sutton* [2004] EWHC 52 (Ch) at [194], [2004] 1 BCLC 468 at [194] per Peter Smith J. See also *El Ajou v Dollar Land Holdings plc* [1994] 2 All ER 685 at 705–707, [1994] 1 BCLC 464 at 482–484 per Hoffman LJ.

703. Receipt of trust money. The law is reluctant to make a mere agent a constructive trustee. Accordingly, a banker, broker, solicitor or other third party to the trust who lawfully receives money, not for his own benefit, from a trustee which he knows to be part of the trust property does not become a constructive trustee of it in relation to the beneficiaries[1] unless he either misappropriates it or is guilty of some other wrongful act in relation to that money. To act wrongfully he must be guilty of: (1) knowingly participating in a breach of trust by his principal; or (2) intermeddling with the trust property otherwise than merely as an agent and thereby becoming a trustee de son tort[2]; or (3) receiving or dealing with the money knowing that his principal has no right to pay it over or to instruct him to deal with it in the manner indicated; or (4) some dishonest act relating to the money[3].

Mere notice of a claim asserted by a third party is insufficient to render the agent guilty of a wrongful act in dealing with property derived from his principal in accordance with the latter's instructions unless the agent knows that the third party's claim is well-founded and that the principal accordingly had no authority to give such instructions[4]. Professionals and agents who have received moneys as such and have acted bona fide are accountable only to their principals unless dishonesty as well as cognisance of trusts is established against them[5].

1 *Keane v Robarts* (1819) 4 Madd 332; *Maw v Pearson* (1860) 28 Beav 196; *Harries v Rees* (1867) 37 LJ Ch 102 at 106–107 per Rolt LJ; *Gray v Johnston* (1868) LR 3 HL 1; *Barnes v Addy* (1874) 9 Ch App 244 at 251–252 per Lord Selborne LC; *Re Spencer, Spencer v Hart* (1881) 51 LJ Ch 271, CA; *Staniar v Evans, Evans v Staniar* (1886) 34 ChD 470; *Re Jackson, Re Cottrell, Boughton-Leigh v Boughton-Leigh* (1889) 40 ChD 495; *Thomson v Clydesdale Bank Ltd* [1893] AC 282, HL; *Brinsden v Williams* [1894] 3 Ch 185; *Coleman v Bucks and Oxon Union Bank* [1897] 2 Ch 243; *Plaskitt v Eddis* (1898) 79 LT 136; *Union Bank of Australia v Murray-Aynsley* [1898] AC 693, PC; *Mutton v Peat* [1899] 2 Ch 556 at 561; *Bank of New South Wales v Goulburn Valley Butter Co Pty Ltd* [1902] AC 543, PC; *Lord Napier and Ettrick and Richards Butler v RF Kershaw Ltd* [1993] 1 Lloyd's Rep 10, CA (revsd in part without discussion of this point [1993] AC 713, [1993] 1 All ER 385, HL). See *Soar v Ashwell* [1893] 2 QB 390, CA. See also BANKING vol 3(1) (2005 Reissue) paras 127, 153. As to the extent to which the relationship between a solicitor, banker or broker and his client is a trust relationship see para 619 et seq ante; and as to the position of a solicitor or agent who intermeddles with a trust see para 698 ante.

2 See para 698 ante.

3 *Carl Zeiss Stiftung v Herbert Smith & Co (No 2)* [1969] 2 Ch 276 at 290, [1969] 2 All ER 367 at 372, CA; *Pannell v Hurley* (1845) 2 Coll 241; *Salomons v Laing* (1850) 12 Beav 377; *Bodenham v Hoskyns* (1852) 2 De GM & G 903; *Bridgman v Gill* (1857) 24 Beav 302; *Morgan v Stephens* (1861) 3 Giff 226 at 237 per Stuart V-C; *Lee v Sankey* (1873) LR 15 Eq 204 at 211 per Bacon V-C; *Barnes v Addy* (1874) 9 Ch App 244; *Williams v Williams* (1881) 17 ChD 437; *Re Bell, Lake v Bell* (1886) 34 ChD 462; *Re Blundell, Blundell v Blundell* (1888) 40 ChD 370 at 381 per Stirling J; *Blyth v Fladgate* [1891] 1 Ch 337; *Soar v Ashwell* [1893] 2 QB 390, CA; *Mara v Browne* [1896] 1 Ch 199, CA; *Re Dixon, Heynes v Dixon* [1900] 2 Ch 561, CA; *Williams-Ashman v Price and Williams* [1942] Ch 219, [1942] 1 All ER 310; *Re Bell's Indenture, Bell v Hickley* [1980] 3 All ER 425, [1980] 1 WLR 1217; *Eagle Trust plc v SBC Securities Ltd*

[1992] 4 All ER 488, [1993] 1 WLR 484; *Lord Napier and Ettrick and Richards Butler v RF Kershaw Ltd* [1993] 1 Lloyd's Rep 10, CA (revsd in part without discussion of this point [1993] AC 713, [1993] 1 All ER 385, HL).

4 *Carl Zeiss Stiftung v Herbert Smith & Co (No 2)* [1969] 2 Ch 276, [1969] 2 All ER 367, CA; and see *Williams v Williams* (1881) 17 ChD 437; *Re Blundell, Blundell v Blundell* (1888) 40 ChD 370; *Manchester Trust v Furness* [1895] 2 QB 539 at 545, CA; *Williams-Ashman v Price and Williams* [1942] Ch 419, [1942] 1 All ER 310; *Feuer Leather Corpn v Frank Johnstone & Sons* [1981] Com LR 251; *Baden v Société Générale pour Favoriser le Développement du Commerce et de l'Industrie en France SA* [1992] 4 All ER 161, [1993] 1 WLR 509n (affd [1992] 4 All ER 279n, CA). As to the necessity for knowledge see further para 702 ante. For a discussion of the correct procedure where a solicitor suspects that a third party may have a claim to money in the client bank account see *Antonelli v Allen* [2000] All ER (D) 2040 per Neuberger J.

5 *Carl Zeiss Stiftung v Herbert Smith & Co (No 2)* [1969] 2 Ch 276, [1969] 2 All ER 367, CA; *Lord Napier and Ettrick and Richards Butler v RF Kershaw Ltd* [1993] 1 Lloyd's Rep 10, CA (revsd in part without discussion of this point [1993] AC 713, [1993] 1 All ER 385, HL).

704. Dishonest assistance in breach of trust: accessory liability. A third party to a trust who has received no trust property personally can be liable if he has provided dishonest assistance in a breach of a trust. Unlike recipient liability, liability as an accessory is not dependent upon receipt of trust property. It arises even though no trust property has reached the hands of the accessory. It is a form of secondary liability in the sense that it only arises where there has been a breach of trust[1].

There must be a trust[2]. Despite earlier decisions that a dishonest and fraudulent design on the part of the trustees of the trust was necessary[3], the Privy Council has held that it is not necessary for the initial breach to be a dishonest and fraudulent breach by the trustee[4]. The stranger to the trust must act dishonestly[5]. Whatever may be the position in some criminal or other contexts[6], in the context of accessory liability acting dishonestly means simply not acting as an honest person would in the circumstances. It is an objective standard. However, there are subjective elements in that it is assessed in the light of what a person actually knew at the time, as distinct from what a reasonable person would have known or appreciated[7].

Merely being present while someone else carries out a task does not amount to assistance[8].

In the case of a company, the requisite dishonesty can be that of a director[9] or person who is the company's directing mind and will[10].

1 *Twinsectra v Yardley* [2002] UKHL 12, [2002] 2 AC 164, [2002] 2 All ER 377; *Royal Brunei Airlines Sdn Bhd v Tan* [1995] 2 AC 378 [1995] 3 All ER 97, PC; *Barlow Clowes International Ltd (in liquidation) v Eurotrust International Ltd* [2005] UKPC 37, [2006] 1 All ER 333, [2006] 1 WLR 1476. See *Eaves v Hickson* (1861) 30 Beav 136; *Barnes v Addy* (1874) 9 Ch App 244 at 251–252 per Lord Selborne LC; *Soar v Ashwell* [1893] 2 QB 390, CA; *Belmont Finance Corpn v Williams Furniture Ltd (No 2)* [1980] 1 All ER 393 at 405, CA; and see also *Carl Zeiss Stiftung v Herbert Smith & Co (No 2)* [1969] 2 Ch 276, [1969] 2 All ER 367, CA; *Competitive Insurance Ltd v Davies Investments Ltd* [1975] 3 All ER 254, [1975] 1 WLR 1240; *Re Montagu's Settlement Trusts, Duke of Manchester v National Westminster Bank plc* [1987] Ch 264, [1992] 4 All ER 308; *Eagle Trust plc v SBC Securities Ltd* [1992] 4 All ER 488, [1993] 1 WLR 484; *Lipkin Gorman (a firm) v Karpnale Ltd* [1992] 4 All ER 409 at 420, [1989] 1 WLR 1340 at 1355, CA, per May LJ (revsd in part [1991] 2 AC 548, [1992] 4 All ER 512, HL (relying on the law of restitution: see RESTITUTION)); *Agip (Africa) Ltd v Jackson* [1990] Ch 265, [1992] 4 All ER 385 (affd [1991] Ch 547, [1992] 4 All ER 451, CA); *Arab Monetary Fund v Hashim (No 2)* [1990] 1 All ER 673, DC; *Cowan de Groot Properties Ltd v Eagle Trust plc* [1992] 4 All ER 700; *Polly Peck International plc v Nadir (No 2)* [1992] 4 All ER 769, CA; *Sinclair Investment Holdings SA v Versailles Trade Finance Ltd* [2007] EWHC 915 (Ch), [2007] All ER (D) 283 (Apr).

2 The trust need not be a formal trust. It is sufficient that there should be a fiduciary relationship between the trustee and the property of another person. Thus directors of a company in consequence of the fiduciary character of the duties which they owe to the company are treated as if they were the trustees of the company's property under their control (*Selangor United Rubber Estates Ltd v Cradock (No 3)* [1968] 2 All ER 1073, [1968] 1 WLR 1555; *Karak Rubber Co Ltd v Burden (No 2)* [1972] 1 All ER 1210, [1972] 1 WLR 602) as are employees whose fiduciary position within the company gave them control of funds

or enabled them to misapply the funds (*Agip (Africa) Ltd v Jackson* [1991] Ch 547 at 566–567, [1992] 4 All ER 451 at 466 per Fox LJ). See also *Consul Development Pty Ltd v DPC Estates Pty Ltd* (1975) 132 CLR 373, 5 ALR 231, Aust HC.

3 There is no distinction between the words 'fraudulent' and 'dishonest': *Selangor United Rubber Estates Ltd v Cradock (No 3)* [1968] 2 All ER 1073, [1968] 1 WLR 1555; *Belmont Finance Corpn Ltd v Williams Furniture Ltd* [1979] Ch 250, [1979] 1 All ER 118, CA.

4 *Royal Brunei Airlines Sdn Bhd v Tan* [1995] 2 AC 378, [1995] 3 All ER 97, PC; followed in *Twinsectra v Yardley* [2002] UKHL 12, [2002] 2 AC 164, [2002] 2 All ER 377. See also *Fyler v Fyler* (1841) 3 Beav 550 at 568; *A-G v Leicester Corpn* (1844) 7 Beav 176 at 179; *Eaves v Hickson* (1861) 30 Beav 136. What matters is the state of mind of the third party, not the state of mind of the trustee. The trustee will be liable in any event for the breach of trust, even if he acted innocently, unless excused by an exemption clause in the trust instrument or relieved by the court: *Royal Brunei Airlines Sdn Bhd v Tan* supra at 385 and 102.

It is usual to join the trustee or fiduciary whose liability is alleged to be the principal liability: *Yeshiva Properties No 1 Pty Ltd v Marshall* [2005] NSWCA 23, 7 ITELR 577 (per curiam). It is doubtful whether an equitable remedy against an alleged accessory should be granted to a claimant who has given the alleged defaulting trustee or fiduciary a release, or has decided not to sue the trustee or fiduciary: *Yeshiva Properties No 1 Pty Ltd v Marshall* supra.

5 *Twinsectra v Yardley* [2002] UKHL 12, [2002] 2 AC 164, [2002] 2 All ER 377; *Royal Brunei Airlines Sdn Bhd v Tan* [1995] 2 AC 378, [1995] 3 All ER 97, PC; *Barlow Clowes International Ltd (in liquidation) v Eurotrust International Ltd* [2005] UKPC 37, [2006] 1 All ER 333, [2006] 1 WLR 1476. 'Knowingly', is a term better avoided as a defining ingredient of accessory liability and in this context the fivefold classification of knowledge adopted in *Baden v Société Générale pour Favoriser le Développement du Commerce et de l'Industrie en France SA* (1982) [1992] 4 All ER 161, [1983] BCLC 325 is best forgotten: see *Royal Brunei Airlines Sdn Bhd v Tan* supra at 392 and 109. See also *Abou-Rahmah v Abacha* [2006] EWCA Civ 1492, [2007] WTLR 1, [2006] All ER (D) 80 (Nov).

6 See *R v Ghosh* [1982] QB 1053, [1982] 2 All ER 689; and CRIMINAL LAW, EVIDENCE AND PROCEDURE vol 11(1) (2005 Reissue) para 283.

7 *Royal Brunei Airlines Sdn Bhd v Tan* [1995] 2 AC 378, [1995] 3 All ER 97, PC; (followed in *Twinsectra v Yardley* [2002] UKHL 12, [2002] 2 AC 164, [2002] 2 All ER 377; and explained in *Barlow Clowes International Ltd (in liquidation) v Eurotrust International Ltd* [2005] UKPC 37, [2006] 1 All ER 333, [2006] 1 WLR 1476, PC). This does not mean it is necessary to inquire into the views of the defendant about 'generally acceptable standards of honest conduct'. The defendant's 'knowledge of the transaction had to be such as to render his participation contrary to normally acceptable standards of honest conduct. It did not require that he should have had reflections about what those normally acceptable standards were': *Barlow Clowes International Ltd (in liquidation) v Eurotrust International Ltd* supra at [15] per Lord Hoffmann. The Court of Appeal has accepted that the law as laid down in *Twinsectra v Yardley* supra as interpreted in *Barlow Clowes International Ltd (in liquidation) v Eurotrust International Ltd* supra represents the law in England and Wales: see *Abou-Rahmah v Abacha* [2006] EWCA Civ 1492 at [69], [2007] WTLR 1 at [69], [2006] All ER (D) 80 (Nov) at [69] per Arden LJ. See further *A-G of Zambia v Meer Care & Desai* [2007] EWHC 952 (Ch).

8 See *Brinks Ltd v Abu-Saleh (No 3)* (1995) Times, 23 October, Ch, where Rimer J suggested that for a person to be liable in equity as an accessory to a breach of trust, he must have given the relevant assistance in the knowledge of the existence of the trust or, at least, of the facts which gave rise to the trust.

9 *Crown Dilmun v Sutton* [2004] EWHC 52 (Ch) at [178]–[187], [2004] 1 BCLC 468 at [178]–[187] per Peter Smith J.

10 *Crown Dilmun v Sutton* [2004] EWHC 52 (Ch) at [188]–[196], [2004] 1 BCLC 468 at [188]–[196] per Peter Smith J. See also *El Ajou v Dollar Land Holdings plc* [1994] 1 BCLC 464 at 484, CA, per Hoffman LJ. See also *Sinclair Investment Holdings SA v Versailles Trade Finance Ltd* [2007] EWHC 915 (Ch), [2007] All ER (D) 283 (Apr).

(ii) Resulting Trusts

A. IN GENERAL

705. Nature of resulting trust. A resulting trust is a trust arising by operation of law[1]. Such a trust arises in two sets of circumstances[2].

The first set of circumstances occurs where A makes a voluntary payment to B or pays (wholly or in part) for the purchase of property which is vested either in B alone or in the joint names of A and B, there is a presumption that A did not intend to make a

gift to B. The money or property is held on trust for A (if he is the sole provider of the money) or in the case of a joint purchase by A and B in shares proportionate to their contributions[3]. This has been described as a presumed resulting trust[4].

The second set of circumstances occurs where A transfers property to B on express trusts, but the trusts declared do not exhaust the whole beneficial interest[5]. This has been described as an automatic resulting trust[6].

Both types of resulting trust are traditionally regarded as examples of trusts giving effect to the common intention of the parties[7]. A resulting trust is not imposed by law against the intentions of the trustee (as is a constructive trust) but gives effect to his presumed intention[8].

In all these cases the beneficial interest in the property, so far as not applicable to any sufficiently expressed or indicated beneficiary or object, results or reverts to the disposer or purchaser of the property or, in the case of his previous death, to his representatives[9]. However, this presumption can be rebutted by evidence that the transferor intended to part with beneficial ownership[10].

1 *Duke of Norfolk v Browne* (1697) Prec Ch 80; *Lloyd and Jobson v Spillet* (1741) 2 Atk 148 at 150 per Lord Hardwicke LC. See also EQUITY vol 16(2) (Reissue) para 853. As to the saving of resulting trusts from the effect of the requirement that a trust of land must be declared in writing see para 625 ante; and as to resulting trusts in the case of charities see CHARITIES vol 5(2) (2001 Reissue) para 168.

2 *Westdeutsche Landesbank Girozentrale v Islington London Borough Council* [1996] AC 669 at 708, [1996] 2 All ER 961 at 990, HL, per Lord Browne-Wilkinson.

3 *Westdeutsche Landesbank Girozentrale v Islington London Borough Council* [1996] AC 669 at 708, [1996] 2 All ER 961 at 990, HL, per Lord Browne-Wilkinson. This is a presumption, which can be displaced by the counter-presumption of advancement or rebutted by direct evidence of A's intention to make an outright transfer: *Westdeutsche Landesbank Girozentrale v Islington London Borough Council* supra at 708 and 990 per Lord Browne-Wilkinson (citing *Vandervell v IRC* [1967] 2 AC 291 at 312 et seq, [1967] 1 All ER 1 at 8 et seq, HL, per Lord Upjohn; *Re Vandervell's Trusts (No 2), White v Vandervell Trustees Ltd* [1974] Ch 269 at 288 et seq). But for a different approach where a purchase is by a cohabiting couple see *Stack v Dowden* [2007] UKHL 17 at [31] and [58], [2007] 2 All ER 929 at [31] and [58]. See also para 722 post.

4 *Vandervell v IRC* [1967] 2 AC 291 at 312 et seq, [1967] 1 All ER 1 at 8 et seq per Lord Upjohn; *Re Vandervell's Trusts (No 2), White v Vandervell Trustees Ltd* [1974] Ch 269 at 294, [1974] 1 All ER 47 at 68 per Megarry V-C. See para 709 et seq post.

5 *Westdeutsche Landesbank Girozentrale v Islington London Borough Council* [1996] AC 669 at 708, [1996] 2 All ER 961 at 990, HL, per Lord Browne-Wilkinson (citing *Re Vandervell's Trusts (No 2), White v Vandervell Trustees Ltd* [1974] Ch 269 at 295, [1974] 1 All ER 47 at 69 per Megarry V-C). The declared trusts may fail to deal with the beneficial interests in the circumstances that arise (see para 707 post) or there may be surplus funds either because the purpose has been achieved or because it has become impossible to achieve the purpose (see paras 709, 711–712 post).

6 *Re Vandervell's Trusts (No 2), White v Vandervell Trustees Ltd* [1974] Ch 269 at 295, [1974] 1 All ER 47 at 69 per Megarry V-C. However, in *Westdeutsche Landesbank Girozentrale v Islington London Borough Council* [1996] AC 669 at 708, [1996] 2 All ER 961 at 991, HL, Lord Browne-Wilkinson suggested that a settlor could expressly or by necessary implication abandon his beneficial interest, in which case the undisposed of equitable interest would vest in the Crown as bona vacantia. See para 625 ante.

7 *Westdeutsche Landesbank Girozentrale v Islington London Borough Council* [1996] AC 669 at 708, [1996] 2 All ER 961 at 990, HL, per Lord Browne-Wilkinson. See, however, *Goodman v Carlton* [2002] EWCA Civ 545 at [29]–[35], [2002] 2 FLR 259 at [29]–[35] per Ward LJ (citing Lord Millet's paper *Restitution and Constructive Trusts* (1988) 114 LQR 399 at 401 and Chambers *Resulting Trusts* (1st Edn, 1997), which suggest that a resulting trust arises whenever a transferor does not intend to benefit the recipient; the trust is a response to the absence of intention to pass the entire beneficial interest as opposed to a positive intention to retain). See also *Drake v Whipp* [1996] 2 FCR 296, [1996] 1 FLR 826, CA.

8 *Westdeutsche Landesbank Girozentral v Islington London Borough Council* [1996] AC 669 at 708, [1996] 2 All ER 961 at 990–991, HL, per Lord Browne-Wilkinson.

9 *Lloyd and Jobson v Spillet* (1741) 2 Atk 148; *Re West, George v Grose* [1900] 1 Ch 84.

10 *Fowkes v Pascoe* (1875) 10 Ch App 343; *Re Young, Trye v Sullivan* (1885) 28 ChD 705; *Aroso v Coutts & Co* [2002] 1 All ER (Comm) 241.

706. No resulting trust if intention is to part with full beneficial ownership. A gift may be expressed to be for a purpose, but if it is clear that the donor has parted with beneficial ownership, there will be no resulting trust of any surplus funds. This is a

matter of intention[1]. Where there is a gift by will to a person for a particular purpose, it is a question of construction of the will whether the gift is for a particular purpose only, in which case it gives rise to a resulting trust of any surplus not required for that purpose, or whether it is a gift subject to the performance of a particular purpose, in which case the donee acquires a beneficial interest subject to that purpose[2].

Similarly, in trusts for creditors, it depends on the intention of the parties as indicated by the language of the deed whether, if the property is more than sufficient for payment of the creditors, the surplus belongs to them or, under a resulting trust, to the debtor[3].

Where one party pays and the other receives money with the intention that the moneys so paid should become the absolute property of the payee, there can be no resulting trust even if the money is paid under a void contract. There may have been misapprehension that the payment was made in pursuance of a valid contract but that does not alter the actual intentions of the parties at the date of the payment[4].

1 *Fowkes v Pascoe* (1875) 10 Ch App 343; *Re Young, Trye v Sullivan* (1885) 28 ChD 705; *Aroso v Coutts & Co* [2002] 1 All ER (Comm) 241.

2 See para 726 post. As to the consequences of the failure of the stated charitable objects of a gift see CHARITIES vol 5(2) (2001 Reissue) para 139 et seq.

3 *Green v Wynn* (1869) 4 Ch App 204 at 207 per Lord Hatherley LC; *Smith v Cooke, Storey v Cooke* [1891] AC 297 at 299, HL, per Lord Halsbury LC, and at 300 et seq per Lord Herschell.

4 *Westdeutsche Landesbank Girozentrale v Islington London Borough Council* [1996] AC 669 at 708, [1996] 2 All ER 961 at 991, HL, per Lord Browne-Wilkinson.

B. EXPRESS TRUSTS NOT EXHAUSTIVE

707. Trusts declared not exhaustive. Where property is conveyed to a trustee upon trusts and the trusts, either as declared by the instrument of conveyance or in the event, do not effectively exhaust[1] the beneficial destination of the property, the remaining beneficial interest in the property results to the disposer and forms part of his real or personal estate, according to the nature of the property[2]. This principle, however, does not apply:

(1) where a contrary intention is indicated in the instrument of conveyance or is otherwise sufficiently proved[3]; or

(2) where the presumption of a resulting trust is displaced by the presumption of advancement[4].

There can be a resulting trust only to the person who was the owner of the property immediately before the settlement[5]. Where property is settled in contemplation of a marriage which is never in fact solemnised, there is a resulting trust of it in favour of the party who settled it[6]. If, however, a man and a woman purchase property in joint names without having a common purpose such as marriage and only the purpose of one of them fails, then a resulting trust according to their respective contributions does not arise[7].

1 Whether the disposer has disposed effectively of the entire beneficial interest can be a difficult question: see *Re Abbott Fund Trusts, Smith v Abbott* [1900] 2 Ch 326 (where there was a resulting trust of a fund for two deaf and dumb women after their deaths); *Re Andrew's Trust, Carter v Andrew* [1905] 2 Ch 48 (where there was no resulting trust of a fund for the education of X's children after their education had finished); *Re Osoba, Osoba v Osoba* [1979] 2 All ER 393, [1979] 1 WLR 247, CA (where there was no resulting trust of a fund for the maintenance of the widow and the mother and the education of a daughter, the daughter taking absolutely as survivor of three joint tenants).

2 *Carrick v Errington* (1726) 2 P Wms 361; *Birch v Blagrave* (1755) Amb 264; *Hewitt v Wright* (1780) 1 Bro CC 86; *Leslie v Duke of Devonshire* (1787) 2 Bro CC 187; *Cook v Hutchinson* (1836) 1 Keen 42; *Clarke v Franklin* (1858) 4 K & J 257; *Re Wilcock, Wilcock v Johnson* (1890) 62 LT 317; *Re Cochrane, Shaw v Cochrane* [1955] Ch 309, [1955] 1 All ER 222; *Re Gillingham Bus Disaster Fund, Bowman v Official Solicitor* [1958] Ch 300, [1958] 1 All ER 37 (affd on another point [1959] Ch 62, [1958] 2 All ER 749, CA); *Bankes v Salisbury Diocesan Council of Education Inc* [1960] Ch 631, [1960] 2 All ER 372; *Re Vandervell's Trusts*

(No 2), White v Vandervell Trustees Ltd [1974] Ch 269, [1974] 3 All ER 205, CA. See also *Re Guinness's Settlement, Guinness v SG Warburg (Executor and Trustee) Ltd* [1966] 2 All ER 497, [1966] 1 WLR 1355; *Hodgson v Marks* [1971] Ch 892 at 933, [1971] 2 All ER 684 at 689, CA. Where, on a marriage, personal property of the wife is settled so as to give a life interest to the husband after her death so long as he remains a widower, he ceases on his remarriage to be entitled to the life interest and there is a resulting trust for the wife's estate: *Re Wyatt, Gowan v Wyatt* (1889) 60 LT 920.

3 *Cook v Hutchinson* (1836) 1 Keen 42; *Biddulph v Williams* (1875) 1 ChD 203. The presumption of a resulting trust may be rebutted even by extrinsic evidence: *Cook v Hutchinson* supra at 50 per Lord Langdale MR.

4 See paras 715–717 post.

5 Thus where a transaction is really a gift by a father to a child of a portion and a settlement by the child of that portion, the resulting trust is to the child; but where no such antecedent gift is expressed or can be implied and the father is the settlor, the resulting trust is to the father: see *Re Connell's Settlement, Re Benett's Trusts, Fair v Connell* [1915] 1 Ch 867 (following *Ward v Dyas* (1835) L & G temp Sugd 177; and explaining *Re Donnelly* [1913] 1 IR 177 at 187).

6 *Thomas v Brennan* (1846) 15 LJ Ch 420; *Mitford v Reynolds, ex p Pattle, ex p India Co* (1848) 16 Sim 130; *Essery v Cowlard* (1884) 26 ChD 191. Where, however, a father settles money and covenants to settle further property on his daughter on her marriage, and the trusts declared do not extend to the event (which happens) of her having no issue and surviving her husband, there is a resulting trust in favour of the daughter and not of the settlor: *Doyle v Crean* [1905] 1 IR 252. See also *Ward v Dyas* (1835) L & G temp Sugd 177.

7 *Burgess v Rawnsley* [1975] Ch 429, [1975] 3 All ER 142, CA.

708. Surplus funds when purpose fails or ends. Where a fund is held in trust for a society or a particular purpose, and the society is dissolved or the purpose fails or comes to an end, there may be a resulting trust of the fund subscribed or the surplus, as the case may be, for the contributors to the society or purpose, or, if they are dead, for their personal representatives. Whether there is or is not such a trust depends in general[1] on the intention of the subscribers when they made their contributions, and in particular whether they then parted with their money out and out by way of gift or intended that their contributions or the surplus, if any, should be returned to them if or when the immediate object of the fund failed or came to an end[2].

Where a fund was intended to be devoted in perpetuity to a particular charitable purpose which has been put into effect but subsequently fails, the charitable trust does not cease and the surplus will be applied cy-près[3]. Moreover, where the immediate purpose of the fund is a particular charitable purpose which is of a limited or temporary nature or which fails ab initio, but a general charitable intention can be inferred, the surplus of the fund, or the whole fund if the particular purpose fails ab initio, will be applied cy-près[4]. Where the immediate purpose is a specific charitable purpose which fails ab initio and no general charitable intention can be inferred, there is a resulting trust for the subscribers to the fund so far as they can be identified and found[5], but property given for specific charitable purposes which fail by donors who cannot be identified or found or who have executed written disclaimers of their rights is by statute applicable cy-près[6].

Where the immediate purpose of the trust is not a charitable purpose and that purpose fails[7], there is a resulting trust for the subscribers of the surplus if the court holds that a return of the surplus must be deemed to have been contemplated[8]; but if the court holds that there is no resulting trust, the surplus belongs to the Crown as bona vacantia[9]. If the court holds that there is a resulting trust of the surplus for the subscribers, the surplus is distributable among the subscribers rateably according to the amount of their subscriptions[10]. If, where the trust which has failed was not a charitable trust, any of the subscribers for whom there is a resulting trust cannot be ascertained, the trustees must pay into court the money which would have been payable to those subscribers if ascertained[11].

Similar questions may arise where there is a surplus on the winding up of a pension scheme. The terms of the scheme will be crucial. A resulting trust will arise in favour of the provider of the funds unless excluded expressly or by implication. Thus it has been held that, in so far as the surplus was derived from the employers' overpayments, there was a resulting trust for them; but a resulting trust was excluded in relation to the employees' contributions because it would lead to an unworkable result and it would conflict with the statutory provisions giving tax advantages to an approved scheme, and, in so far as the surplus was so derived, it devolved as bona vacantia[12]. Although there are no special rules of construction applicable to pension schemes, the court's approach to the construction of the relevant documents should be practical and purposive, rather than detached and literal, so as to give reasonable and practical effect to the scheme[13]. The beneficiaries are not volunteers. Their rights have contractual and commercial origins. The benefits provided have been earned by the service of the members and, where the scheme is contributory, by their contributions[14].

1 As to the application of property given for specific charitable purposes which have failed by donors who are unascertainable or have disclaimed their rights see the text and note 6 infra.

2 See *Re Abbott Fund Trusts, Smith v Abbott* [1900] 2 Ch 326; *Re Welsh Hospital (Netley) Fund, Thomas v A-G* [1921] 1 Ch 655 at 658 per Lawrence J; *Re West Sussex Constabulary's Widows, Children and Benevolent (1930) Fund Trusts, Barnett v Ketteringham* [1971] Ch 1, [1970] 1 All ER 544.

3 See e g *Re Wokingham Fire Brigade Trusts, Martin v Hawkins* [1951] Ch 373, [1951] 1 All ER 454 (where it was said that it was not necessary to consider whether there was any general intention in such a case); *Re Ulverston and District New Hospital Building Trusts, Birkett v Barrow and Furness Hospital Management Committee* [1956] Ch 622 at 637, [1956] 3 All ER 164 at 172, CA, per Jenkins LJ. See also CHARITIES vol 5(2) (2001 Reissue) para 201 et seq.

4 *Re Welsh Hospital (Netley) Fund, Thomas v A-G* [1921] 1 Ch 655 at 661–662 (distinguishing *Re British Red Cross Balkan Fund, British Red Cross Society v Johnson* [1914] 2 Ch 419, where the question of charitable intention was not considered: see *Barlow Clowes International Ltd (in liquidation) v Vaughan* [1992] 4 All ER 22, CA); *Re Hillier, Hillier v A-G* [1954] 2 All ER 59, [1954] 1 WLR 700, CA; *Re Dover's Battle of Britain Memorial Hospital Fund* (1955) Times, 29 June. As to resulting trusts in case of charities, and as to cy-près application, see CHARITIES vol 5(2) (2001 Reissue) paras 157 et seq, 201 et seq. See also GIFTS vol 20(1) (Reissue) para 44.

5 *Re Ulverston and District New Hospital Building Trusts, Birkett v Barrow and Furness Hospital Management Committee* [1956] Ch 622, [1956] 3 All ER 164, CA. There is no general principle that, where a fund includes contributions from anonymous donors, a general charitable intention must be imputed to named subscribers; but the inclusion of anonymous contributions is a factor which may be taken into account in a doubtful case for the purpose of resolving the doubt in favour of a general charitable intention: see *Re Ulverston and District New Hospital Building Trusts, Birkett v Barrow and Furness Hospital Management Committee* supra at 632–641 and 169–175 per Jenkins LJ, and at 641–642 and 175–176 per Lord Evershed MR (explaining dicta in *Re Welsh Hospital (Netley) Fund, Thomas v A-G* [1921] 1 Ch 655 and *Re Hillier, Hillier v A-G* [1954] 2 All ER 59, [1954] 1 WLR 700, CA). See also *Re Dover's Battle of Britain Memorial Hospital Fund* (1955) Times, 29 June.

6 See the Charities Act 1993 s 14; and CHARITIES vol 5(2) (2001 Reissue) paras 167–168. As from a day to be appointed this treatment is extended to donors who can be identified unless they have made a declaration that they wish to be consulted before their donations are applied to other purposes: see s 14A (prospectively added by the Charities Act 2006 s 17); and CHARITIES. At the date at which this volume states the law no such day had been appointed.

7 For an instance in which there was held to have been no failure see *Re Andrew's Trust, Carter v Andrew* [1905] 2 Ch 48 (where a fund was subscribed towards the education of children of the deceased person and the purpose of the fund was held not to have failed merely because the children had grown up, as 'education' was either to be construed in the broadest sense or treated merely as a motive of the gift for the children). See also *Re Johnson, Pearson v Johnson* [1938] 2 All ER 173 (where subscriptions had been raised in response to an appeal for assistance to a widow and there was held to be an absolute trust for the widow who was entitled to the whole fund).

8 *Re Abbot Fund Trusts, Smith v Abbot* [1900] 2 Ch 326. The fact that some subscribers are unascertainable does not prevent the court from holding that there is a resulting trust for the named donors and, if those that are unascertained can be found by inquiry, the resulting trust can be executed in their favour: *Re Gillingham Bus Disaster Fund, Bowman v Official Solicitor* [1958] Ch 300, [1958] 1 All ER 37; affd on another point [1959] Ch 62, [1958] 2 All ER 749, CA.

9 *Cunnack v Edwards* [1896] 2 Ch 679, CA; *Braithwaite v A-G* [1909] 1 Ch 510; *Re West Sussex Constabulary's Widows, Children and Benevolent (1930) Fund Trusts, Barnett v Ketteringham* [1971] Ch 1, [1970] 1 All ER 544 (criticised in *Re Bucks Constabulary Widows' and Orphans' Fund Friendly Society, Thompson v Holdsworth (No 2)* [1979] 1 All ER 623, [1979] 1 WLR 936 by Walton J on the basis that the surplus should pass to the members of the unincorporated association at the date of dissolution as the subscribed money should be treated as an accretion to the association's funds subject to the members' contractual rights). See also *Re GKN Bolts and Nuts Ltd Sports and Social Club, Leek v Donkersley* [1982] 2 All ER 855, sub nom *Re GKN Bolts and Nuts Ltd (Automotice Division) Birmingham Works Sports and Social Club, Leek v Donkersley* [1982] 1 WLR 774; *Re Sick and Funeral Society of St John's Sunday School, Golcar* [1973] Ch 51, [1972] 2 All ER 439; and para 712 post. As to bona vacantia see CROWN PROPERTY vol 12(1) (Reissue) para 231 et seq.

10 *Re Hobourn Aero Components Ltd's Air Raid Distress Fund, Ryan v Forrest* [1946] Ch 86, [1945] 2 All ER 711 (affd on another point [1946] Ch 194, [1946] 1 All ER 501, CA); *Re Gillingham Bus Disaster Fund, Bowman v Official Solicitor* [1958] Ch 300, [1958] 1 All ER 37 (affd on another point [1959] Ch 62, [1958] 2 All ER 749, CA). The rule laid down in relation to a current account in *Devaynes v Noble, Clayton's Case* (1816) 1 Mer 572 (see EQUITY vol 16(2) (Reissue) para 864) does not apply: *Re British Red Cross Balkan Fund, British Red Cross Society v Johnson* [1914] 2 Ch 419 at 421 per Astbury J. See also *Re Customs and Excise Officers' Mutual Guarantee Fund, Robson v A-G* [1917] 2 Ch 18 at 31. As to the bringing of benefits received by subscribers into hotchpot see *Re Hobourn Aero Components Ltd's Air-Raid Distress Fund, Ryan v Forrest* supra at 97 and 718 per Cohen J. For the position with regard to clubs see para 712 ante.

11 *Re Gillingham Bus Disaster Fund, Bowman v Official Solicitor* [1958] Ch 300 at 314, [1958] 1 All ER 37 at 43; affd on another point [1959] Ch 62, [1958] 2 All ER 749, CA. As to payment into court by trustees generally see para 917 et seq post.

12 *Davis v Richards and Wallington Industries Ltd* [1991] 2 All ER 563, [1990] 1 WLR 1511 (where it was held that, in so far as the surplus was derived from the employers' overpayments, there was a resulting trust for them; but there was no resulting trust in relation to the employees' contributions because it would lead to an unworkable result and it would conflict with the statutory provisions giving tax advantages to an approved scheme; to that extent the surplus devolved as bona vacantia). The Privy Council has taken a different approach holding that members' share of the surplus should be divided pro rata among the members and the estates of deceased members in proportion to the contributions made by each member without regard to the benefits each has received and irrespective of the dates on which the contributions were made: see *Air Jamaica Ltd v Charlton* [1999] 1 WLR 1399 at 1414, PC.

13 See *Re Courage Group's Pension Schemes, Ryan v Imperial Brewing and Leisure* [1987] 1 All ER 528 at 537–538, [1987] 1 WLR 495 at 505–506 per Millett J. See also *National Grid plc v Mayes* [2000] ICR 174, CA (overruled on other grounds at [2001] UKHL 20, [2001] 2 All ER 417, [2001] WLR 864). On the correct approach to amendments to pension schemes see *Re Courage Group's Pension Schemes, Ryan v Imperial Brewing and Leisure* supra; *Bank of New Zealand v Board of Management of the Bank of New Zealand Officers' Provident Association* [2003] UKPC 58, [2003] OPLR 281.

14 *Mettoy Pension Trustees Ltd v Evans* [1991] 2 All ER 513 at 537, [1990] 1 WLR 1587 at 1610 per Warner J.

709. Rights of residuary or other devisee or legatee on failure of will trust. The terms of a testamentary disposition may be such that, where a trust fails or is not exhausted in carrying out the designated object, the beneficial interest under the trust, or the unexhausted part of it, is caught by a residuary devise or residuary bequest, as the case may be, instead of devolving as on an intestacy[1].

1 *Mallabar v Mallabar* (1735) Cas temp Talb 78; *Durour v Motteux* (1749) 1 Ves Sen 320; *Gravenor v Hallum* (1767) Amb 643 at 645 per Lord Camden LC; *Wright v Row* (1779) 1 Bro CC 61; *Cambridge v Rous* (1802) 8 Ves 12; *Ellis v Selby* (1836) 1 My & Cr 286; *Re Sanderson's Trust* (1857) 3 K & J 497; *Holmes v Prescott* (1864) 10 Jur NS 507; *Re Eddels' Trusts* (1871) LR 11 Eq 559; *Re West, George v Grose* [1900] 1 Ch 84; *Re Rogerson, Bird v Lee* [1901] 1 Ch 715; *Re Cartwright, Homer v Halley* (1911) Times, 4 February.

710. The Crown's right on intestacy. Where a person dies intestate after 31 December 1925 leaving no person entitled to share in his estate under the provisions relating to distribution on intestacy, his residuary estate belongs to the Crown as bona vacantia in default of any other person taking an absolute interest in it[1]. In the case of a partial intestacy, an executor can defeat the claim of the Crown only if it appears by the will that he is to take beneficially[2].

1 See EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 170 et seq. As to bona vacantia see CROWN PROPERTY vol 12(1) (Reissue) para 231 et seq.
2 See EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 618.

C. FAILURE OF PARTICULAR PURPOSE; DISSOLUTION OF SOCIETIES AND ASSOCIATIONS

711. Failure of purpose. Where property is purchased in the name, or is transferred into the possession, of a person to effect or assist a purpose which is never carried out, there is a resulting trust of it for the purchaser or transferor, and he can make good his claim to it[1]. Even if a transfer was made for the fraudulent purpose of evading the law, the transferor is entitled to have the property reconveyed or restored unless he is forced to plead or rely on the illegality[2].

Money advanced by way of loan normally becomes the property of the borrower. He is free to apply the money as he chooses and save to the extent to which he may have taken security for repayment, the lender takes the risk of the borrower's insolvency[3]. However, where money is advanced to a borrower for a stated purpose and the borrower accepts it on terms that the money will be used exclusively for that purpose, the money is impressed with a trust for that purpose, a so-called 'Quistclose trust'[4]. The recipient acquires no beneficial interest in the money, at least while the designated purpose is still capable of being carried out[5]. If the designated purpose fails (for example, because the recipient goes into liquidation), the money will not form part of the borrower's general funds but will be held for the lender.

Keeping the money in a separate account is clear evidence that it is intended for a special purpose but it is not essential[6].

The exact nature of the Quistclose trust has been a matter of academic controversy but it has been described as 'an entirely orthodox example of the kind of default trust known as a resulting trust'[7].

There may be circumstances where the intended payee under a Quistclose trust obtains a beneficial interest in the fund[8].

1 *Ward v Lant* (1701) Prec Ch 182; *Birch v Blagrave* (1755) Amb 264; *Platamone v Staple* (1815) Coop G 250; *Cecil v Butcher* (1821) 2 Jac & W 565 at 573 per Plumer MR; *Childers v Childers* (1857) 1 De G & J 482, CA; *Barclays Bank Ltd v Rolls Razor Ltd* [1970] AC 567, sub nom *Barclays Bank v Quistclose Investments Ltd* [1968] 3 All ER 651, HL; *Nest Oy v Lloyds Bank plc, The Tiiskeri, Nestegas and Enskeri* [1983] 2 Lloyd's Rep 658; *Carreras Rothmans Ltd v Freeman Mathews Treasure Ltd* [1985] Ch 207, [1985] 1 All ER 155; *Re EVTR, Gilbert v Barber* [1987] BCLC 646, CA; *Re E Dibbens & Sons Ltd (in liquidation)* [1990] BCLC 577; *Stanlake Holdings Ltd v Tropical Capital Investment Ltd* (1991) Financial Times, 25 June, CA; *Lord Napier and Ettrick and Richards Butler v RF Kershaw Ltd* [1993] 1 Lloyd's Rep 10, CA (revsd in part without discussion of this point [1993] AC 713, [1993] 1 All ER 385, HL); *R v Common Professional Examination Board, ex p Mealing-McCleod* (2000) Times, 2 May, [2000] All ER (D) 588, CA.
2 See *Tinsley v Milligan* [1994] 1 AC 340, [1993] 3 All ER 65, HL; and para 682 ante. See also CONTRACT vol 9(1) (Reissue) para 839 et seq. As to the effect of putting property into the name of another generally see para 713 et seq post.
3 *Westdeutsche Landesbank Girozentrale v Islington London Borough Council* [1996] AC 669, [1996] 2 All ER 961, HL.
4 *Barclays Bank Ltd v Rolls Razor Ltd* [1970] AC 567, sub nom *Barclays Bank v Quistclose Investments Ltd* [1968] 3 All ER 651, HL. See also *Carreras Rothman Ltd v Freeman Matthews Treasure Ltd* [1985] Ch 207, [1985] 1 All ER 155 (where there was an antecedent debt). The transaction need not be by way of loan. See also *Templeton Insurance Ltd v Penningtons Solicitors LLP* [2006] EWHC 685 (Ch), [2006] All ER (D) 191 (Feb), where the obligation arose from an undertaking that money paid into client account would be held for the client and used for a particular purpose.
5 *Twinsectra v Yardley* [2002] UKHL 12 at [68]–[69], [2002] 2 AC 164 at [68]–[69], [2002] 2 All ER 377 at [68]–[69] per Lord Millett.
6 In *Barclays Bank Ltd v Rolls Razor Ltd* [1970] AC 567, sub nom *Barclays Bank v Quistclose Investments Ltd* [1968] 3 All ER 651, HL, and in *Carreras Rothman Ltd v Freeman Matthews Treasure Ltd* [1985] Ch 207, [1985] 1 All ER 155, the money was held in a separate account; but in *Twinsectra v Yardley* [2002] UKHL 12, [2002] 2 AC 164, [2002] 2 All ER 377 and in *Re EVTR, Gilbert v Barber* [1987] BCLC 646, CA, it

was not. The failure to use a separate account was regarded as significant in *Neste Oy v Lloyds Bank plc, The Tiiskeri, Nestegas and Enskeri* [1983] 2 Lloyd's Rep 658, sub nom *Neste Oy v Lloyds Bank plc* [1983] Com LR 185, 133 NLJ 597. See further *Re Farpak Foods and Gifts Ltd* [2006] EWHC 3272.

7 *Twinsectra v Yardley* [2002] UKHL 12 at [100], [2002] 2 AC 164 at [100], [2002] 2 All ER 377 at [100] per Lord Millett (although it is not entirely clear whether the other Law Lords agreed with him). But see *Westdeutsche Landesbank Girozentrale v Islington London Borough Council* [1996] AC 669 at 708, [1996] 2 All ER 961 at 990–991 per Lord Browne-Wilkinson. See also Chambers *Resulting Trusts* (1st Edn, 1997) p 68 et seq; and Ho and Smart 'Reinterpreting the Quistclose Trust: A Critique of Chambers' Analysis' (2001) 21 Oxford Journal of Legal Studies pp 267–285.

8 In *Carreras Rothman Ltd v Freeman Mathews Treasure Ltd* [1985] Ch 207 at 223, [1985] 1 All ER 155 at 166, Peter Gibson J (citing *Re Northern Developments (Holdings) Ltd* (6 October 1978, unreported) said that he did not accept that the payees had no enforceable rights. See the discussion by Millett QC 'The Quistclose Trust: who can enforce it?' (1985) 101 LQR 269 at 202–203. See also *Re Margaretta Ltd, Freeman v Customs and Excise Comrs* [2005] STC 610 at 615 per Crystal QC (accepting that there may be situations where the intended payee obtains a beneficial interest in the fund). These include situations where (1) the obvious intention of the transaction would be frustrated if the donor were to retain a power of revocation of the trust (*New, Prance and Garrard's Trustee v Hunting* [1897] 2 QB 19, CA); (2) where the existence of the trust arrangements is communicated to the intended payee and the latter gains a beneficial interest in the money either because of the creation of an estoppel in his favour or because communication perfects an assignment of the donor's equitable interest to him (*Acton v Woodgate* (1833) 2 My & K 492 at 495; *Ellis & Co v Cross* [1915] 2 KB 654 at 659; *Cavendish v Browne* (1844) 7 I Eq R 369 at 388, 1 Jo & Lat 606 at 635–636; *Morrell v Wootten* (1852) 16 Beav 197 at 202–203; *Re Hamilton, FitzGeorge v FitzGeorge* (1921) 124 LT 737).

712. Surplus funds on dissolution of unincorporated associations. Unincorporated associations may be established as social or sports clubs or as mutual benefit societies, for example, to provide for the widows of members, out of a fund raised by subscriptions, donations, legacies and fund-raising activities. If the club or mutual benefit society ceases to be carried on, difficult questions arise as to the destination of surplus funds.

Persons who provided money as a result of fund-raising activities have no claim to the return of their money where they parted with it in pursuance of some contract (for example, by paying for tickets for dances, whist-drives, raffles or film shows) or by way of outright absolute gift (for example, by putting money in collection boxes or giving it towards a non-contractual sponsored run)[1]. Such money is an accretion to the association's funds subject to the members' contractual rights under the association's rules[2].

Persons who provided money by way of outright absolute donation or legacy have no claim to the return of their money, as they are taken to have abandoned it; such money is an accretion to the association's funds[3]. If the donor or testator imposed valid trusts on his money, there will be a resulting trust for him if those trusts fail in respect of part of that money[4]. To be valid, the trusts must satisfy the rule against remoteness of vesting and inalienability[5] and not be for a non-charitable purpose[6]. As many purported trusts would therefore be invalid, the courts are inclined, in the absence of a clear expression of a trust, to construe the donation or legacy as an outright absolute gift of money accruing to the association's funds subject to the members' contractual rights under the association's rules[7].

Money subscribed by the members themselves under the association's rules is subject to their contractual rights under the rules, and is paid by way of contract and not to establish a trust[8]. The money is thus the property of the members, whether the association is to provide benefits for members or only for third persons such as members' widows and children[9].

On the dissolution of the association its funds, subject only to any rights of a third person under contracts or trusts entered into or created by the duly authorised procedure under the association's rules, pass to the members[10]. Only if the association

has become moribund, as where all or all but one of the members have died, will the funds be treated as bona vacantia passing to the Crown[11].

1 *Re West Sussex Constabulary's Widows, Children and Benevolent (1930) Fund Trusts, Barnett v Ketteringham* [1971] Ch 1, [1970] 1 All ER 544.
2 *Re Recher's Will Trusts, National Westminster Bank Ltd v National Anti-Vivisection Society Ltd* [1972] Ch 526 at 538–539, [1971] 3 All ER 401 at 407–408; *Conservative and Unionist Central Office v Burrell (Inspector of Taxes)* [1982] 2 All ER 1, [1982] 1 WLR 522, CA; *Re Bucks Constabulary Widows' and Orphans' Fund Friendly Society, Thompson v Holdsworth (No 2)* [1979] 1 All ER 623, [1979] 1 WLR 936; *Universe Tankships Inc of Monrovia v International Transport Workers' Federation* [1983] 1 AC 366, [1982] 2 All ER 67, HL.
3 See the cases cited in note 2 supra.
4 *Re West Sussex Constabulary's Widows, Children and Benevolent (1930) Fund Trusts, Barnett v Ketteringham* [1971] Ch 1, [1970] 1 All ER 544.
5 See paras 684–685 ante.
6 See para 607 ante.
7 See the cases cited in notes 2, 4 supra.
8 See *St Andrew's Allotment Association's Trusts, Sargeant v Probert* [1969] 1 All ER 147, [1969] 1 WLR 229; *Re William Denby & Sons Ltd Sick and Benevolent Fund, Rowling v Wilks* [1971] 2 All ER 1196, [1971] 1 WLR 973; *Re West Sussex Constabulary's Widows, Children and Benevolent (1930) Fund Trusts, Barnett v Ketteringham* [1971] Ch 1, [1970] 1 All ER 544; *Re Sick and Funeral Society of St John's Sunday School, Golcar* [1973] Ch 51, [1972] 2 All ER 439; *Re Bucks Constabulary Widows' and Orphans' Fund Friendly Society, Thompson v Holdsworth (No 2)* [1979] 1 All ER 623, [1979] 1 WLR 936.
9 *Re Bucks Constabulary Widows' and Orphans' Fund Friendly Society, Thompson v Holdsworth (No 2)* [1979] 1 All ER 623, [1979] 1 WLR 936 (where Walton J criticised the contrary view of Goff J in *Re West Sussex Constabulary's Widows, Children and Benevolent (1930) Fund Trusts, Barnett v Ketteringham* [1971] Ch 1, [1970] 1 All ER 544).
10 The authorities differ as to whether the surplus is to be divided equally between members, subject to any provision in the rules to the contrary or proportionally to the amounts contributed. The proportional approach was adopted in *Re Printers and Transferrers Amalgamated Trades Protection Society* [1899] 2 Ch 184 and *Re Lead Company's Workmen's Fund Society* [1904] 2 Ch 196, disregarding any benefits received. The proportional approach was also adopted in *Re Hobourn Aero Components Ltd's Air Raid Distress Fund, Re Ryan v Forrest* [1946] Ch 86, [1945] 2 All ER 711 (affd on another point [1946] Ch 194, [1946] 1 All ER 501, CA), but members were required to bring into hotchpot benefits received from the fund. However, the better view appears to be that of equal distribution: *Re St Andrew's Allotment Association's Trusts, Re Sergeant v Probert* [1969] 1 All ER 147, [1969] 1 WLR 229; *Re Sick and Funeral Society of St John's Sunday School, Re Golcar* [1973] Ch 51, [1972] 2 All ER 439; *Re Bucks Constabulary Widows' and Orphans' Fund Friendly Society, Thompson v Holdsworth (No 2)* [1979] 1 All ER 623, [1979] 1 WLR 936; *Re GKN Bolts and Nuts Ltd Sports and Social Club, Leek v Donkersley* [1982] 2 All ER 855, sub nom *Re GKN Bolts and Nuts Ltd (Automotive Division) Birmingham Works Sports and Social Club, Leek v Donkersley* [1982] 1 WLR 774.
11 See note 9 supra. As to bona vacantia see CROWN PROPERTY vol 12(1) (Reissue) para 231 et seq.

D. PROPERTY PUT INTO THE NAME OF ANOTHER

713. Effect of purchase in or transfer into another's name. Where a person purchases property in the name of another or in the name of himself and another jointly, or gratuitously transfers property to another or himself and another jointly, then, as a rule, unless there is some further indication of an intention at the time to benefit the other person[1] or some presumption[2] of such an intention, the property is deemed in equity to be held on a resulting trust for the purchaser or transferor[3]. Thus there is a resulting trust where the transfer is into the joint names of the transferor and a minor to whom the transferor does not stand in loco parentis[4], and the mere fact that a minor cannot since 31 December 1925 be validly appointed a trustee[5] does not affect the presumption.

So far as improvements are concerned, the general rule is that moneys voluntarily spent by one party on improving property beneficially owned by him and another will not increase the former's proportionate beneficial interest in the property unless the parties specifically agree or exceptionally if such an agreement may be inferred[6].

Where in order to achieve an illegal purpose, property is transferred by one person into the name of another, being persons between whom the presumption of advancement does not apply, the transferor can recover the property, on the ground that he is not forced to rely on the illegality but only on the resulting trust that arose in his favour on the transfer[7].

Where a sitting tenant is entitled to buy a property at a discount, the amount of the discount will be regarded as a contribution to the purchase price[8].

1 *Earl of Plymouth v Hickman* (1690) 2 Vern 167; *Crop v Norton* (1740) 2 Atk 74; *Maddison v Andrew* (1747) 1 Ves Sen 57 at 61; *Rider v Kidder* (1805) 10 Ves 360; *George v Bank of England* (1819) 7 Price 646; *Currant v Jago* (1844) 1 Coll 261; *Deacon v Colquhoun* (1853) 2 Drew 21; *Wheeler v Smith* (1859) 1 Giff 300; *Garrick v Taylor* (1860) 29 Beav 79; *Beecher v Major* (1865) 2 Drew & Sm 431; *Forrest v Forrest* (1865) 11 Jur NS 317; *Tumbridge v Care* (1871) 19 WR 1047; *Marshal v Crutwell* (1875) LR 20 Eq 328 at 329; *Fowkes v Pascoe* (1875) 10 Ch App 343, CA; *Standing v Bowring* (1885) 31 ChD 282, CA; *Young v Sealey* [1949] Ch 278, [1949] 1 All ER 92 (where the facts showed an intention to benefit the other person and, even though the gifts were of a testamentary nature and not made according to the Wills Act 1837, the transferee's claim was not defeated); *Re Figgis, Roberts v MacLaren* [1969] 1 Ch 123, [1968] 1 All ER 999. The resulting trust may be rebutted as to part of the property or part of the interest in it and remain valid as to the rest: *Benbow v Townsend* (1833) 1 My & K 506 at 510 per Leach MR.

2 As to transactions where one party is in loco parentis towards the other, or transactions between husband and wife, see paras 715–717 post.

3 *Anon* (1683) 2 Vent 361; *Gascoigne v Thwing* (1685) 1 Vern 366; *Ambrose v Ambrose* (1716) 1 P Wms 321; *Ryall v Ryall* (1739) 1 Atk 59; *Lloyd and Jobson v Spillet* (1741) 2 Atk 148; *Withers v Withers* (1752) Amb 151; *Dyer v Dyer* (1788) 2 Cox Eq Cas 92; *Finch v Finch* (1808) 15 Ves 43 at 50 per Lord Eldon LC; *Mackreth v Symmons* (1808) 15 Ves 329 at 350 per Lord Eldon LC; *Murless v Franklin* (1818) 1 Swan 13 at 17–18 per Lord Eldon LC; *Field v Lonsdale* (1850) 13 Beav 78; *Pfleger v Browne* (1860) 28 Beav 391; *Haigh v Kaye* (1872) 7 Ch App 469; *Rudkin v Dolman* (1876) 35 LT 791; *Re Policy No 6402 of the Scottish Equitable Life Assurance Society* [1902] 1 Ch 282; *Re Howes, Howes v Platt* (1905) 21 TLR 501; *The Venture* [1908] P 218, CA; *Shephard v Cartwright* [1955] AC 431, [1954] 3 All ER 649, HL; *Re Vandervell's Trusts (No 2), White v Vandervell Trustees Ltd* [1974] Ch 269, [1974] 1 All ER 47 (revsd without affecting this point [1974] Ch 269, [1974] 3 All ER 205, CA); *Gross v French* (1975) 238 Estates Gazette 39, CA. See also *Pettitt v Pettitt* [1970] AC 777, [1969] 2 All ER 385, HL; and GIFTS vol 20(1) (Reissue) para 42.

4 *Re Vinogradoff, Allen v Jackson* [1935] WN 68; *Re Muller, Cassin v Mutual Cash Order Co Ltd* [1953] NZLR 879; cf *Re Sinclair's Life Policy* [1938] Ch 799, [1938] 3 All ER 124 (where a child's endowment policy was taken out by a godfather on his own life for the benefit of his godchild, and no trust was established in favour of the godchild).

5 See para 609 ante.

6 *Harwood v Harwood* [1992] 1 FCR 1, [1991] 2 FLR 274, CA.

7 *Tinsley v Milligan* [1994] 1 AC 340, [1993] 3 All ER 65, HL (applied in *Silverwood v Silverwood* (1997) 74 P & CR 453, CA, and *Lowson v Coombes* [1999] Ch 373, [1999] 2 WLR 720, CA). See para 682 ante. Where the presumption of advancement arises the claimant cannot lead evidence of an illegal purpose to rebut that presumption. Hence, there will be different consequences where in pursuance of an illegal purpose a man puts property into the name of his wife as compared to that of his mistress. In *Lowson v Coombes* supra Walker LJ observed at 385 and 729 that the importance attached to the presumption of advancement creates difficulties because the presumption has been cogently criticised both as out of date in modern social and economic conditions (see especially the remarks of Lord Diplock in *Pettitt v Pettitt* [1970] AC 777 at 824, [1969] 2 All ER 385 at 414) and as being uncertain in its scope (especially in relation to transfers by wives and mothers). See also *Tribe v Tribe* [1996] Ch 107 at 118, [1995] 4 All ER 236 at 244 per Nourse LJ; and paras 715, 717 post.

8 *Marsh v Von Sternberg* [1986] 1 FLR 526; *Ash (Trustee in Bankruptcy of Henry Samuel Mumford) v Mumford* [2000] All ER (D) 1452, CA.

714. Joint transactions. The principle that the property is deemed to be held on a resulting trust applies where several persons purchase property in the name of one[1]. Where, however, two or more persons purchase property in their joint names or transfer property into their joint names without making an express declaration as to their beneficial interests[2], and contribute the purchase money or property in equal shares, they hold the property as joint tenants with benefit of survivorship both at law and in equity, unless there is evidence of a contrary intention on their part at the time of the purchase or transfer or there are circumstances from which such an intention can be

inferred[3]. If they contributed the purchase money or property in unequal shares, whether the property is purchased in the name of one or in their joint names, there is a tenancy in common between them in equity[4], although even in this case the equitable tenancy in common may be rebutted by evidence or circumstances[5]. In the case of a purchase in joint names by a cohabiting couple a conveyance into joint names indicates both legal and beneficial joint tenancy unless and until the contrary is proved[6].

If there is a specific declaration in the conveyance as to the parties' interests, this will prevail. Thus if a conveyance of property to X and Y contains, for instance, an express declaration that the property is to be held by them as joint tenants, the fact that X may have paid all the mortgage instalments in respect of the property is not relevant in determining how the property is held and could not give rise to a resulting or constructive trust[7]. By taking liability under a joint mortgage, a party will make a contribution to the purchase price sufficient to raise the presumption of a resulting trust[8].

1 *Wray v Steele* (1814) 2 Ves & B 388. Purchase money does not include rent. Rent, unlike purchase money, is not paid for the acquisition of a capital asset but for the use of a property during the term: *Savage v Dunningham* [1974] Ch 181, [1973] 3 All ER 429. As to purchases by a husband and wife see para 717 post.

2 An express declaration necessarily concludes the question of equitable ownership in the absence of fraud or mistake at the time of the transaction: *Pettitt v Pettitt* [1970] AC 777 at 813, [1969] 2 All ER 385 at 405, HL; *Leake (formerly Bruzzi) v Bruzzi* [1974] 2 All ER 1196, [1974] 1 WLR 1528, CA; *Pink v Lawrence* (1977) 36 P & CR 98, CA; *Bernard v Josephs* [1982] Ch 391, [1982] 3 All ER 162, CA; *Goodman v Gallant* [1986] Fam 106, [1986] 1 All ER 311, CA.

3 *Edwards v Fashion* (1712) Prec Ch 332 (persons entitled to a mortgage as tenants in common in equal shares who purchased the mortgaged property and had it conveyed to them as joint tenants held to be tenants in common of the property in equity); *Carter v Horne* (1728) 1 Eq Cas Abr 7; *Aveling v Knipe* (1815) 19 Ves 441; *Harris v Fergusson* (1848) 16 Sim 308; *Robinson v Preston* (1858) 4 K & J 505; *Harrison v Barton* (1860) 1 John & H 287; *Re Hughes's Trusts* (1871) 24 LT 415. Where a mortgage is taken by two or more persons in equal shares, there is a tenancy in common in equity: *Petty v Styward* (1631) 1 Rep Ch 57; *Robinson v Preston* supra at 511 per Wood V-C. See also MORTGAGE vol 32 (2005 Reissue) para 412. Where two persons were tenants in common of land and money representing the profits of the land was paid into a joint account without any survivorship clause, it was held in Ireland that there was a tenancy in common as respects the money also: *Lowry and McLoughlin v Fitzpatrick and Lowry* (1922) 56 ILT 108. As to co-ownership of property generally see PERSONAL PROPERTY vol 35 (Reissue) para 1243 et seq; REAL PROPERTY vol 39(2) (Reissue) para 189 et seq.

4 *Robinson v Preston* (1858) 4 K & J 505 at 510; *Bull v Bull* [1955] 1 QB 234, [1955] 1 All ER 253, CA; *Bernard v Josephs* [1982] Ch 391, [1982] 3 All ER 162, CA; *Burns v Burns* [1984] Ch 317, [1984] 1 All ER 244, CA; *Sekhon v Alissa* [1989] 2 FLR 94. See also *Passee v Passee* [1988] 1 FLR 263, CA.

5 *Harris v Fergusson* (1848) 16 Sim 308; *Pettitt v Pettitt* [1970] AC 777, [1969] 2 All ER 385, HL; *Gissing v Gissing* [1971] AC 886, [1970] 2 All ER 780, HL.

6 *Stack v Dowden* [2007] UKHL 17 at [58], [2007] 2 All ER 929 at [58] per Baroness Hale; but see at [110] per Lord Neuberger. See further para 722 post.

7 *Grindal v Hooper* (2000) Times, 8 February. See also *Pettitt v Pettitt* [1970] AC 777, [1969] 2 All ER 385, HL; *Gissing v Gissing* [1971] AC 886, [1970] 2 All ER 780, HL; *Goodman v Gallant* [1986] Fam 106, [1986] 1 FLR 513, CA. See further *Stack v Dowden* [2007] UKHL 17 at [49], [2007] 2 All ER 929 at [49].

8 *Carlton v Goodman* [2002] EWCA Civ 545 at [22], [2002] 2 FLR 259 at [22] per Mummery LJ, and at [38] per Ward LJ (although the presumption was rebutted on the facts).

715. Advancement or gift to a child. Normally when property is transferred to another in a voluntary conveyance there will be evidence of the intention with which a transfer is made. Where there is not, the presumption of a resulting trust will normally apply but in some cases the presumption of advancement will apply instead. However, where there is evidence, it will be conclusive[1]. As with the presumption of advancement between husband and wife, the strength of the presumption has been reduced[2].

Where a father[3] or other person in loco parentis purchases property in the name of a child or transfers property into the name of a child, the transaction does not create a

resulting trust for the purchaser or transferor, but is an advancement or gift to the child[4], unless there is evidence of a contrary intention at the time of the transaction[5] or the circumstances are such as to raise a presumption against the advancement or gift[6]. The rule is the same where a purchase, investment or transfer is made in the joint names of purchaser or transferor himself and a child[7], or in the joint names of a child and a stranger[8], or in the name of an illegitimate child towards whom the father has placed himself in loco parentis[9]. A mere moral obligation to provide for the other person is, however, not sufficient to rebut the resulting trust[10]. A party cannot rely on his own fraud or illegality to found a claim or rebut a presumption[11].

1 Some of the older authorities suggest that the presumption of advancement is not lightly to be displaced by evidence. See *Finch v Finch* (1808) 15 Ves 43; *Chettiar v Chettiar* [1962] AC 294, [1962] 1 All ER 494, PC; *Shephard v Cartwright* [1955] AC 431, [1954] 3 All ER 649, HL. These authorities have lost much of their force in modern times. See *Pettitt v Pettitt* [1970] AC 777, [1969] 2 All ER 385, HL, on the presumption as it applies between husband and wife. In *Lavelle v Lavelle* [2004] EWCA Civ 223 at [19], [2004] 2 FCR 418 at [19], Lord Phillips of Worth Matravers MR said that equity searches for the subjective intention of the transferor and that it is not satisfactory to apply rigid rules of law to the evidence that is admissible to rebut the presumption of advancement. The courts will always strive to work out the real intention of the purchaser and will only give effect to the presumptions of resulting trust and advancement where the intention cannot be fathomed and a 'long-stop' or 'default' solution is needed: see *Kyriakides v Pippas* [2004] EWHC 646 (Ch) at [76], [2004] 2 FCR 434 at [76] per Moss QC, sitting as a High Court judge.

2 *McGrath v Wallis* [1995] 3 FCR 661 at 668, [1995] 2 FLR 114 at 121 per Nourse LJ (describing the equitable presumption of advancement in relation to houses acquired for joint occupation as a judicial instrument of last resort comparable to the contra proferentem rule). The court must have regard to all the circumstances of the case: *Ali v Khan* [2002] EWCA Civ 974 at [11], 5 ITELR 232 at [11] per Morritt V-C (citing *McGrath v Wallis* supra). But see *Antoni v Antoni* [2007] UKPC 10 at [20], [2007] All ER (D) 335 (Feb) at [20] where Lord Scott of Foscote referred to the 'relevance and importance of the presumption of advancement'.

3 Nowadays there is much to be said for the view that the presumption of advancement should apply to a purchase or transfer of property by a mother, even though not widowed or divorced, although, if a resulting trust were presumed, it would be capable of rebuttal by slight evidence: see *Re De Visme* (1863) 2 De GJ & Sm 17; *Down v Ellis* (1865) 35 Beav 578; *Sayre v Hughes* (1868) LR 5 Eq 376; *Bennet v Bennet* (1879) 10 ChD 474 at 479–480; *Re Orme, Evans v Maxwell* (1883) 50 LT 51; *Gross v French* (1975) 238 Estates Gazette 39, CA; *Sekhon v Alissa* [1989] 2 FLR 94. Support for this view can be gained from the decision in *Re Cameron* [1999] Ch 386, [1999] 2 All ER 924, where it was held, so far as concerned the rule against double portions, that both parents should nowadays be taken to be in loco parentis unless the contrary is proved. In *Lavelle v Lavelle* [2004] EWCA Civ 223 at [14], [2004] 2 FCR 418 at [14] Lord Phillips of Worth Matravers MR referred to the presumption arising where there is 'a close relationship' and gave the example of father and child. A mother is under a statutory duty to maintain her child: see the Social Security Administration Act 1992 ss 78(6), (7), 105 (ss 78(6), 105 as amended); and SOCIAL SECURITY AND PENSIONS vol 44(2) (Reissue) para 397.

4 *Scroope v Scroope* (1663) 1 Cas in Ch 27; *Lord Grey v Lady Grey* (1677) 2 Swan 594; *Baylis v Newton* (1687) 2 Vern 28; *Taylor v Taylor* (1737) 1 Atk 386; *Stileman v Ashdown* (1742) 2 Atk 477 at 480 per Lord Hardwicke LC; *Rumboll v Rumboll* (1761) 2 Eden 15; *Dyer v Dyer* (1788) 2 Cox Eq Cas 92; *Finch v Finch* (1808) 15 Ves 43; *Dummer v Pitcher* (1833) 2 My & K 262 at 272 per Lord Brougham LC; *Sidmouth v Sidmouth* (1840) 2 Beav 447; *Re Cane's Trusts* (1867) 36 LJ Ch 744; *Hepworth v Hepworth* (1870) LR 11 Eq 10; *Stock v McAvoy* (1872) LR 15 Eq 55 at 58 per Wickens V-C; *Bennet v Bennet* (1879) 10 ChD 474; *Re Richardson, Weston v Richardson* (1882) 47 LT 514; *Shephard v Cartwright* [1955] AC 431, [1954] 3 All ER 649, HL. The principle extends to a transfer into the names of a married daughter and her husband, even where the name of the transferor is joined with theirs: *Batstone v Salter* (1875) 10 Ch App 431. See also *Ebrand v Dancer* (1680) 2 Cas in Ch 26 (grandfather); *Soar v Foster* (1858) 4 K & J 152 at 157 (grandfather); *Loyd v Read* (1719) 1 P Wms 607 (grandmother); *Re Howes, Howes v Platt* (1905) 21 TLR 501 (aunt and her niece).

5 *Blake v Blake* (1721) 7 Bro Parl Cas 241, HL; *Birch v Blagrave* (1755) Amb 264; *Murless v Franklin* (1818) 1 Swan 13 at 17, 19 per Lord Eldon LC; *Prankerd v Prankerd* (1820) 1 Sim & St 1; *Sidmouth v Sidmouth* (1840) 2 Beav 447; *Re Collinson, Collinson v Collinson* (1853) 3 De GM & G 409; *Williams v Williams* (1863) 32 Beav 370; *Tucker v Burrow* (1865) 2 Hem & M 515; *Re Gooch, Gooch v Gooch* (1890) 62 LT 384; *Warren v Gurney* [1944] 2 All ER 472, CA; contra *Stamp Duties Comrs v Byrnes* [1911] AC 386, PC. See also *McGrath v Wallis* [1995] 3 FCR 661, [1995] 2 FLR 114, CA (evidence that a house had been put in son's name to enable a mortgage to be obtained, and the existence of proposals that the beneficial

interest should be shared, held sufficient to rebut the presumption); *Ali v Khan* [2002] EWCA Civ 974, 5 ITELR 232 (evidence that it was not the father's intention to dispose of the beneficial interest admissible to rebut the presumption). The fact that the purchase could not have been taken wholly in the name of the purchaser is not sufficient to rebut the presumption: *Dyer v Dyer* (1788) 2 Cox Eq Cas 92 at 98. Subsequent acts or expressions on the part of the parent will not convert the advancement or gift into a trust for himself: *Murless v Franklin* supra; *Crabb v Crabb* (1834) 1 My & K 511 at 519 per Lord Brougham LC; *Sidmouth v Sidmouth* supra; *Jeans v Cooke* (1857) 24 Beav 513 at 521. Cf *Shephard v Cartwright* [1955] AC 431, [1954] 3 All ER 649, HL (where it was held that there was no link to enable subsequent events to be admissible as evidence of intention). Subsequent acts or declarations of the child may, however, establish a trust in favour of the parent: *Pole v Pole* (1748) 1 Ves Sen 76; *Sidmouth v Sidmouth* supra; *Jeans v Cooke* supra at 521. As to the position where a father effects an insurance policy on the life of his son see *Freme v Brade* (1858) 2 De G & J 582; *Worthington v Curtis* (1875) 1 ChD 419, CA; *Hadden v Bryden* (1899) 1 F 710, Ct of Sess; *A-G v Murray* [1904] 1 KB 165 at 172, CA; *Carmichael v Carmichael's Executrix* (1920) 57 SLR 547, HL (insurance by a father on the life of his child held not to be an advancement). See also GIFTS vol 20(1) (Reissue) para 43; INSURANCE vol 25 (2003 Reissue) para 558.

6 *Elliot v Elliot* (1677) 2 Cas in Ch 231; *Pole v Pole* (1748) 1 Ves Sen 76; *Prankerd v Prankerd* (1820) 1 Sim & St 1; *Kilpin v Kilpin, Kilpin v Lamb* (1834) 1 My & K 520; *Garrett v Wilkinson* (1848) 2 De G & Sm 244. The fact that the child is acting as the parent's solicitor raises a contrary presumption: *Garrett v Wilkinson* supra. The fact of the child having been already advanced or provided for does not, however, necessarily rebut the advancement or gift: *Kilpin v Kilpin, Kilpin v Lamb* supra at 542 per Lord Brougham LC; *Hepworth v Hepworth* (1870) LR 11 Eq 10. See also CHILDREN AND YOUNG PERSONS.

7 *Re Warwick, Warwick v Chrisp* (1912) 56 Sol Jo 253 (money on deposit in joint names of father and daughter). See also the cases cited in note 2 supra.

8 *Lamplugh v Lamplugh* (1709) 1 P Wms 111; *Crabb v Crabb* (1834) 1 My & K 511; *Kilpin v Kilpin, Kilpin v Lamb* (1834) 1 My & K 520 at 542.

9 *Beckford v Beckford* (1774) Lofft 490; *Kilpin v Kilpin, Kilpin v Lamb* (1834) 1 My & K 520 at 542; *Petty v Petty* (1853) 17 Jur 646; *Soar v Foster* (1858) 4 K & J 152 at 157 et seq per Wood V-C.

10 *Soar v Foster* (1858) 4 K & J 152 at 161 per Wood V-C.

11 *Tinsley v Milligan* [1994] 1 AC 340, [1993] 3 All ER 65, HL; *Tribe v Tribe* [1996] Ch 107, [1995] 4 All ER 236, CA; *Collier v Collier* [2002] EWCA Civ 1095, 6 ITELR 270, [2002] All ER (D) 446 (Jul).

716. Addition to settlement funds. If a husband puts an additional fund into the names of the trustees of his marriage settlement who hold funds on trust for himself and his wife and children, it is deemed to be intended as an accretion to the settled funds and not to be held on a resulting trust for him[1].

1 *Re Curteis' Trusts* (1872) LR 14 Eq 217; distinguished in *Vandervell v IRC* [1967] 2 AC 291, [1967] 1 All ER 1, HL.

717. Transactions between husband and wife. As in the case of other transfers evidence of intention will be conclusive[1]. However, where there is no such evidence the presumption of advancement will apply instead. If a husband purchases property in the sole name of his wife or transfers property into her sole name, he is presumed to do so as an absolute advancement or gift to her[2]. The presumption also applies to a purchase by an intending husband in the name of an intending wife[3]. The presumption applies to the opening of a joint bank account[4]. A purchase or transfer of property by a husband in or into the joint names of himself and his wife, or of himself and his wife and a third person, is presumed to be for the benefit of his wife if she survives him, but, if he survives her, the property reverts to him[5]. The strength of the presumption has been much diminished with changing conditions of society[6]. Where, however, a wife hands over to her husband property belonging to her, without any intention of making a gift of it to him, he will hold it on a resulting trust for her[7]. Both the presumption of advancement and the presumption of a resulting trust can be rebutted by evidence of a contrary intention[8]. A husband cannot set up his own illegality or fraud in order to rebut the presumption of advancement[9].

Where a spouse makes a substantial contribution to the improvement of property subsequent to the purchase, then, unless otherwise agreed, that spouse is to be treated as having then acquired by virtue of his or her contribution a share or an enlarged share, as the case may be, of such an extent as may have been then agreed or, in default of such agreement, as the court may in all the circumstances consider just[10].

1 See para 715 note 1 ante. See also *McHardy & Sons (a firm) v Warren* [1994] 2 FLR 338, CA, where it was held that it could be inferred, where a parent had made a deposit on his child's first matrimonial home, that the bride and groom had equal interests in the home, it being irrelevant that the title was registered in the name of only one of the spouses. Similarly, in *Halifax Building Society v Brown* [1995] 3 FCR 110, [1996] 1 FLR 103, CA, it was held that a loan to a married couple from one of their parents to finance a deposit on a house was capable of founding an inference of a common intention to share the property beneficially even if the house was conveyed into the husband's name alone.

2 *Re Eykyn's Trusts* (1877) 6 ChD 115 at 118 per Malins V-C. See also *Kingdon v Bridges* (1688) 2 Vern 67; *Rider v Kidder* (1805) 10 Ves 360 at 367 per Lord Eldon LC; *Soar v Foster* (1858) 4 K & J 152 at 158, 160; *Re Emery's Investments Trusts, Emery v Emery* [1959] Ch 410, [1959] 1 All ER 577; *Tinker v Tinker* [1970] P 136, [1970] 1 All ER 540, CA. The principle applies where the name of a third person is added: *Re Eykyn's Trusts* supra at 119. See also *R v Harrow London Borough Council, ex p Coker* (1989) Times, 14 March, CA (an unusual case where a third party sought, albeit unsuccessfully, to rely on the presumption).

3 *Moate v Moate* [1948] 2 All ER 486.

4 *Marshall v Crutwell* (1875) LR 20 Eq 328; *Re Pattinson, Graham v Pattison* (1885) 1 TLR 216; *Re Harrison, Day v Harrison* (1920) 90 LJCh 186; *Re Figgis, Roberts v McClaren* [1969] 1 Ch 123, [1968] 1 All ER 999.

5 *Christ's Hospital v Budgin* (1712) 2 Vern 683; *Dummer v Pitcher* (1833) 2 My & K 262; *Drew v Martin* (1864) 2 Hem & M 130; *Re Eykyn's Trusts* (1877) 6 ChD 115 at 118–119; *Re Young, Trye v Sullivan* (1885) 28 ChD 705; *Morrison v M'Ferran* [1901] 1 IR 360; *Pettitt v Pettitt* [1970] AC 777, [1969] 2 All ER 385, HL.

6 *Silver v Silver* [1958] 1 All ER 523, [1958] 1 WLR 259, CA; *Pettitt v Pettitt* [1970] AC 777, [1969] 2 All ER 385, HL. See also *Tinker v Tinker* [1970] P 136, [1970] 1 All ER 540, CA; *Harwood v Harwood* [1992] 1 FCR 1, [1991] 2 FLR 274, CA (where the presumption was applied). See also para 715 note 1 ante.

7 *Green v Carlill* (1877) 4 ChD 882; *Re Curtis, Hawes v Curtis* (1885) 52 LT 244; *Re Flamank, Wood v Cock* (1889) 40 ChD 461; *Mercier v Mercier* [1903] 2 Ch 98, CA. See also *Alexander v Barnhill* (1888) 21 LR Ir 511; *Wassell v Leggatt* [1896] 1 Ch 554; *Pearson v Pearson* (1965) Times, 30 November; *Pettitt v Pettitt* [1970] AC 777, [1969] 2 All ER 385, HL; *Heseltine v Heseltine* [1971] 1 All ER 952, [1971] 1 WLR 342, CA. While they are living together, the husband is not liable to account for the income of the property which he uses, with the wife's acquiescence, as he is presumed to have applied it for their joint benefit: *Re Flamank, Wood v Cock* supra. As to the equity of exoneration see *Re Pittortou (a bankrupt), ex p Trustee of the Property of the Bankrupt v Bankrupt* [1985] 1 All ER 285, [1985] 1 WLR 58; *Judd v Brown* [1998] 2 FLR 360; and BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 649.

8 *Marshal v Crutwell* (1875) LR 20 Eq 328 (where it was held that, if a man in failing health puts money into the joint account of himself and his wife at a bank for the sake of convenience in administering their household affairs, the balance at his death forms part of his estate); *Pettitt v Pettitt* [1970] AC 777, [1969] 2 All ER 385, HL; *Gissing v Gissing* [1971] AC 886, [1970] 2 All ER 780, HL; *Simpson v Simpson* [1992] 1 FLR 601.

9 See *Gascoigne v Gascoigne* [1918] 1 KB 223; *McEvoy v Belfast Banking Co Ltd* [1935] AC 24, HL; *Re Emery's Investments Trusts, Emery v Emery* [1959] Ch 410, [1959] 1 All ER 577; *Chettiar v Chettiar* [1962] AC 294, [1962] 1 All ER 494, PC; *Tinker v Tinker* [1970] P 136, [1970] 1 All ER 540, CA; *Tinsley v Milligan* [1994] 1 AC 340, [1993] 3 All ER 65, HL.

10 See the Matrimonial Proceedings and Property Act 1970 s 37; and MATRIMONIAL LAW vol 29(3) (Reissue) para 282. See also *Griffiths v Griffiths* [1973] 3 All ER 1155 at 1159, [1973] 1 WLR 1454 at 1457 (this point not discussed on appeal [1974] 1 All ER 932, [1974] 1 WLR 1350, CA); *Re Nicholson, Nicholson v Perks* [1974] 2 All ER 386, [1974] 1 WLR 476; *Samuels' Trustee v Samuels* (1973) 233 Estates Gazette 149.

718. Voluntary conveyance. Formerly, if a conveyance of real property contained no apparent consideration and no declaration to whose use it was made, the use and with it the land conveyed resulted to the transferor[1]. However, the Statute of Uses (1535) was repealed by the Law of Property Act 1925[2], and in a voluntary conveyance made after 31 December 1925 a resulting trust for the grantor is not to be implied merely by reason that the property is not expressed to be conveyed for the use or benefit

of the grantee[3]. The probable effect of this provision is that there will be no resulting trust on a voluntary conveyance unless it has been expressly conveyed upon trusts which fail to dispose of the entire equitable interest[4].

1 *Beckwith's Case, Colgate v Blithe* (1589) 2 Co Rep 56b at 58; *Armstrong d Neve v Woolsey* (1755) 2 Wils 19. See also REAL PROPERTY vol 39(2) (Reissue) para 245. The contrary opinion appears to have been expressed in *Lloyd and Jobson v Spillet* (1741) 2 Atk 148 at 150; *Young v Peachy* (1742) 2 Atk 254 at 256 per Lord Hardwicke LC; *Fowkes v Pascoe* (1875) 10 Ch App 343 at 348, CA, per James LJ.
2 See the Law of Property Act 1925 s 207, Sch 7 (repealed).
3 See ibid s 60(3); and REAL PROPERTY vol 39(2) (Reissue) para 245.
4 See *Hodgson v Marks* [1971] Ch 892 at 933, [1971] 2 All ER 684 at 689, CA (where Russell LJ, giving the judgment of the court, referred to it as a 'debatable question'); *Tinsley v Milligan* [1994] 1 AC 340 at 371–372, [1993] 3 All ER 65 at 87, HL, per Lord Browne-Wilkinson.

(iii) Application of Principles of Constructive and Resulting Trusts to the Matrimonial and Quasi-matrimonial Home

719. Married couples and civil partners. Disputes between spouses now rarely require resolution of their strict property rights under trust law as the court has wide discretionary powers in proceedings for divorce, nullity or judicial separation to distribute the property as it seems fit without having to ascertain the shares of the parties in the property[1]. In the rare cases where it is necessary to do so[2], it is clearly established that the proper approach is through the law of trusts[3].

In relation to disputes between civil partners the courts also have wide discretionary powers in proceedings for dissolution, nullity or judicial separation to distribute the property as it seems fit[4].

1 See the Matrimonial Causes Act 1973 ss 23, 24 (both as amended), s 24A (as added and amended); *Fielding v Fielding* [1978] 1 All ER 267, [1977] 1 WLR 1146n, CA; and MATRIMONIAL LAW. As from a day to be appointed, the Matrimonial Causes Act 1973 ss 23, 24 are substituted by the Family Law Act 1996 s 15, Sch 2 paras 4, 6; however, at the date at which this volume states the law no such day had been appointed and it is unlikely that these amendments will be implemented. See MATRIMONIAL LAW vol 29(3) (Reissue) paras 6, 7.
2 See eg *Re Cummins* [1972] Ch 62, [1971] 3 All ER 782, CA; *Lloyds Bank plc v Rosset* [1991] 1 AC 107, [1990] 1 All ER 1111, HL.
3 *Pettitt v Pettitt* [1970] AC 777, [1969] 2 All ER 385, HL; *Gissing v Gissing* [1971] AC 886, [1970] 2 All ER 780, HL; *Lloyds Bank plc v Rosset* [1991] 1 AC 107, [1991] 1 All ER 1111, HL.
4 See the Civil Partnership Act 2004 ss 65–72, Sch 5; and CIVIL PARTNERSHIP.

720. Unmarried couples. The legal principles to be applied to unmarried couples when assessing the proportions in which a beneficial interest in property should be divided are the same as those developed by the courts in relation to disputes between married couples[1] in the absence of a valid express declaration of trust[2]. The absence of the commitment of marriage may, however, mean that the court will not make the same assumptions and draw the same inferences from the behaviour of an unmarried couple as in the case of a married couple[3]. Only if the court is satisfied that the relationship was intended to involve the same degree of commitment as marriage is it legitimate to regard the couple as no different from a married couple, for example if they have children by each other and intend to marry when free so to do[4]. In the case of engaged couples where the agreement to marry is terminated, any rule of law relating to the rights of husbands and wives in relation to property in which either or both has or have a beneficial interest applies[5].

1 *Cooke v Head* [1972] 2 All ER 38, [1972] 1 WLR 518, CA; *Richards v Dove* [1974] 1 All ER 888; *Eves v Eves* [1975] 3 All ER 768, [1975] 1 WLR 1338, CA; *Bernard v Josephs* [1982] Ch 391, [1982] 3 All ER 162, CA; *Burns v Burns* [1984] Ch 317, [1984] 1 All ER 244, CA. See also *Bristol and West Building Society*

v Henning [1985] 2 All ER 606, [1985] 1 WLR 778, CA; *Equity and Law Home Loans Ltd v Prestidge* [1992] 1 All ER 909, [1992] 1 WLR 137, CA. Cf *Fitzpatrick v Sterling Housing Association Ltd* [2001] 1 AC 27, [2000] 1 FCR 21, HL.

2 An express declaration is conclusive in the absence of fraud or mistake: *Bernard v Josephs* [1982] Ch 391, [1982] 3 All ER 162, CA; *Goodman v Gallant* [1986] Fam 106, [1986] 1 All ER 311, CA; *Re Gorman (a bankrupt), ex p the trustee of the bankrupt v the bankrupt* [1990] 1 All ER 717, [1990] 1 WLR 616. See also *Pettitt v Pettitt* [1970] AC 777, [1969] 2 All ER 385, HL; *Pink v Lawrence* (1977) 36 P & CR 98, CA; *Turton v Turton* [1988] Ch 542, [1987] 2 All ER 641, CA; *Stack v Dowden* [2007] UKHL 17, [2007] 2 All ER 929; *Murphy v Gooch* [2007] EWCA Civ 603, [2007] All ER (D) 350 (Jun).

3 *Bernard v Josephs* [1982] Ch 391, [1982] 3 All ER 162, CA. In the cohabitation context, mercenary considerations may be more to the fore than they would be in marriage, but it should not be assumed that they always take pride of place over natural love and affection: *Stack v Dowden* [2007] UKHL 17 at [69], [2007] 2 All ER 929 at [69] per Baroness Hale.

4 *Eves v Eves* [1975] 3 All ER 768 at 771, [1975] 1 WLR 1338 at 1341, CA, per Lord Denning MR.

5 See the Law Reform (Miscellaneous Provisions) Act 1970 s 2; and MATRIMONIAL LAW vol 29(3) (Reissue) para 30. Reliance on this provision appears to be of little assistance as no special rules of trust law (except the presumption of advancement which itself is of little significance where evidence of intention is available) apply to husband and wife. The provision does not appear to empower the court to use the powers of the Matrimonial Causes Act 1973 to adjust the rights of property of engaged couples. This point was left open in *Bernard v Josephs* [1982] Ch 391 at 403, [1982] 3 All ER 162 at 169, CA, per Griffiths LJ; but in *Mossop v Mossop* [1989] Fam 77, [1988] 2 All ER 202, CA, the court held that the right to a transfer of property order under the Matrimonial Causes Act 1973 s 24 (see MATRIMONIAL LAW) requires and is conditional on there having been a decree of divorce, a decree of nullity of marriage or a decree of judicial separation. See also *Shaw v Fitzgerald* [1992] 1 FLR 357.

721. Importance of distinguishing constructive and resulting trusts. If there is an express declaration of trust, it will be conclusive in the absence of fraud or mistake[1]. In the past cases commonly failed to distinguish between resulting, implied and constructive trusts[2]. However, there are reasons for distinguishing between the resulting trust[3] and the constructive trust[4]. A resulting trust of a property purchased in the name of another, in the absence of contrary intention, arises once and for all at the date on which the property is acquired. Payments of mortgage instalments are not payments of the purchase price already paid to the vendor but are sums paid for discharging the mortgagor's obligations under the mortgage[5]. A complicating factor is the increasing use of proprietary estoppel principles in relation to constructive trusts[6].

1 See the cases in para 720 note 2 ante.

2 See eg *Gissing v Gissing* [1971] AC 886 at 905, [1970] 2 All ER at 790, HL, per Lord Diplock.

3 In a case of a resulting trust the property will be held on trust to give effect to the parties respective contributions to its purchase price: *Walker v Hall* [1984] FLR 126, [1984] Fam Law 21, CA; *Springette v Defoe* [1992] 2 FCR 561, [1992] 2 FLR 388, CA; *Huntingford v Hobbs* [1993] 1 FCR 45, [1993] FLR 736, CA; *Midland Bank v Cooke* [1995] 4 All ER 562, [1996] 1 FCR 442, CA; *Lowson v Coombes* [1999] Ch 373, [1999] 2 WLR 720, CA. A constructive trust will be void against a trustee in bankruptcy if not made for valuable consideration whereas a resulting trust will not be: *Re Densham (a bankrupt), ex p the trustee of the bankrupt v Densham* [1975] 3 All ER 726, [1975] 1 WLR 1519.

4 In a case of a constructive trust the property will be held on trust to give effect to the agreement reached between the parties. A party may have a share greater than his respective contribution: *Drake v Whipp* [1996] 2 FCR 296 at 301–302, [1996] 1 FLR 826 at 830–831, CA, per Peter Gibson LJ. See also *Eves v Eves* [1975] 3 All ER 768, [1975] 1 WLR 1338, CA; *Grant v Edwards* [1986] Ch 638 at 646–648, [1986] 2 All ER 426 at 431, CA, per Nourse LJ; *Lloyds Bank plc v Rosset* [1991] 1 AC 107, [1990] 1 All ER 1111, HL.

5 *Curley v Parkes* [2004] EWCA Civ 1515, [2004] All ER (D) 344 (Oct). However, such payments could be relevant to a claim for a constructive trust.

6 See the cases listed in para 690 note 8 ante. See also the description by Carnwath LJ in *Stack v Dowden* [2005] EWCA Civ 857 at [75], [2006] 1 P & CR 244 at [75], [2005] 2 FCR 739 at [75] of the whole area as a 'witch's brew, into which various esoteric ingredients have been stirred over the years and in which different ideas bubble to the surface at different times'. See also *Harris v Kent* [2007] EWHC 463 (Ch), [2007] All ER (D) 238 (Mar).

722. House purchased in joint names by cohabiting couple. Where property is purchased in joint names by a cohabiting couple, without any express declaration as to their beneficial interests[1], a conveyance into joint names indicates both a legal and beneficial joint tenancy[2], unless and until the contrary is proved[3].

Unequal financial contributions will not necessarily give rist to unequal beneficial entitlement under the strict application of the principles of resulting trusts[4]. The court will ascertain the parties' shared intentions[5] and in cases where there is no evidence of agreement as to the amount of the shares the court will survey the whole course of dealing between the parties taking into account all conduct which throws light on the question of what shares were intended[6]. Prima facie, if the purchase is financed in whole or in part on mortgage, the person who assumes liability for the mortgage payments, as between the joint owners, is to be treated as having contributed the mortgage money[7]. Where a sitting tenant is entitled to buy a property at a discount, the amount of the discount will be regarded as a contribution to the purchase price[8].

1 Any express declaration would be conclusive in the absence of fraud or mistake: see the cases cited in para 720 note 2 ante.

2 *Stack v Dowden* [2007] UKHL 17 at [56] and [58], [2007] 2 All ER 929 at [56] and [58] per Baroness Hale.

3 The burden is on the person seeking to show that the parties did intend their beneficial interests to be different from their legal interests, and in what way, so in the case of joint legal ownership the burden is on the owner claiming to have other than a joint beneficial interest: *Stack v Dowden* [2007] UKHL 17 at [56] and [58], [2007] 2 All ER 929 at [56] and [58] per Baroness Hale.

4 *Stack v Dowden* [2007] UKHL 17 at [60], [2007] 2 All ER 929 at [60] per Baroness Hale. To the extent that *Walker v Hall* [1984] FLR 126, [1984] Fam Law 21, *Springett v Defoe* [1992] 2 FLR 388 and *Huntingford v Hobbs* [1993] 1 FLR 736 suggested otherwise, they should not be followed: *Stack v Dowden* supra at [60] per Baroness Hale (but cf Lord Neuberger's dissenting judgment at [123], saying that where there are unequal contributions there is a presumption of a resulting trust).

5 See para 690 ante; *Gissing v Gissing* [1971] AC 886 at 905, [1970] 2 All ER 780 at 790, HL, per Lord Diplock; *Lloyds Bank plc v Rosset* [1991] 1 AC 107 at 132, [1990] 1 All ER 1111 at 1118, HL, per Lord Bridge of Harwich. See also *Murphy v Gooch* [2007] EWCA Civ 603, [2007] All ER (D) 350 (Jun).

6 *Stack v Dowden* [2007] UKHL 17 at [61], [2007] 2 All ER 929 at [61] per Baroness Hale; *Oxley v Hiscock* [2004] EWCA Civ 546, [2005] Fam 211, [2004] 3 All ER 703. See also para 690 note 8 ante.

7 *Re Gorman (a bankrupt), ex p the trustee of the bankrupt v the bankrupt* [1990] 1 All ER 717, [1990] 1 WLR 616; *Huntingford v Hobbs* [1993] 1 FCR 45, [1993] 1 FLR 736, CA.

8 *Goodman v Carlton* [2002] EWCA Civ 545 at [20], [2002] 2 FLR 259 at [20], [2002] All ER (D) 284 (Apr) at [20] per Mummery LJ.

723. House purchased by cohabiting couple in only one name. Subject to any express declaration of trust[1], where property is purchased in one party's name, there will also be sole beneficial ownership[2] unless and until the contrary is proved[3]. A contribution to the purchase price by the non-owning party will not necessarily give a beneficial interest proportionate to the contribution under the strict application of the principles of resulting trusts[4]. On such a claim the first and fundamental question which must always be resolved is whether, independently of any inference to be drawn from the conduct of the parties in the course of sharing the house as their home and managing their joint affairs, there has at any time prior to acquisition, or exceptionally at some later date, been any agreement, arrangement or understanding reached between them that the property is to be shared beneficially[5]. This common intention, which has been said to mean a shared intention communicated between them[6] and which must relate to the beneficial ownership of the property[7] can only be based on evidence of express discussions between the parties, however imperfectly remembered and however imprecise their terms may have been[8]. Once a finding to this effect is made, it will only be necessary for the party asserting a claim to a beneficial interest against the party entitled to the legal estate to show that he or she has acted to his or her detriment or

significantly altered his or her position in reliance on the agreement in order to give rise to a constructive trust or proprietary estoppel[9].

It may be, however, that there is no evidence to support a finding of an agreement or arrangement to share the beneficial interest, however reasonable it might have been for the parties to make such an agreement if they had applied their minds to the question. Here the court, relying entirely on the conduct of the parties, may first infer from it a common intention to share the property beneficially. If the inference can properly be drawn, the same conduct may be relied upon to show that the party has acted to his or her detriment or has significantly altered his or her position in reliance on the inferred agreement. While direct contributions to the purchase price by a party who is not the legal owner, whether initially or by payment of mortgage instalments, would readily justify the court in drawing the inference of a common intention, it has been said to be very doubtful whether anything less would do[10]. If the conduct does not justify the court in drawing the necessary inference, the court cannot impute to the parties a common intention which they did not have by forming its own opinion as to what reasonable persons in the position of the parties would have intended.

Even if a common intention is established, a claimant will not succeed unless he or she establishes that he or she has acted to his or her detriment on the basis of that common intention[11]. The fact that one partner gratuitously cooks and cleans and looks after any children does not alone entitle him or her to any share in the house[12].

So far as the quantum of the claimant's beneficial interest is concerned, which also depends on the common intention of the parties, either express or, more usually, to be inferred from all the circumstances[13], the court can take into account both direct and indirect contributions[14]. Where there is evidence from which to infer a common intention that each should have a beneficial interest in the property but there is no evidence of any discussion between them of the amount of the share each is to have, the court will determine what is fair having regard to the whole course of dealing between them in relation to the property[15]. The value of the respective shares will be determined when the property is sold or where one party buys out the other[16].

1 Any express declaration would be conclusive in the absence of fraud or mistake: see the cases cited at para 720 note 2 ante.

2 *Stack v Dowden* [2007] UKHL 17 at [56] and [58], [2007] 2 All ER 929 at [56] and [58] per Baroness Hale.

3 The burden is on the person seeking to show that the parties did intend their beneficial interests to be different from their legal interests, and in what way, so in sole ownership cases it is upon the non-owner to show that he has any interest at all: *Stack v Dowden* [2007] UKHL 17 at [56], [2007] 2 All ER 929 at [56] per Baroness Hale.

4 *Stack v Dowden* [2007] UKHL 17 at [60], [2007] 2 All ER 929 at [60] per Baroness Hale; but cf Lord Neuberger's dissenting judgment at [123] that where there are unequal contributions there is a presumption of a resulting trust.

5 *Lloyds Bank plc v Rosset* [1991] 1 AC 107, [1990] 1 All ER 1111, HL (citing the leading cases of *Pettitt v Pettitt* [1970] AC 777, [1969] 2 All ER 385, HL; *Gissing v Gissing* [1971] AC 886, [1970] 2 All ER 780, HL). Expenditure on improvements to the property does not confer any beneficial interest in the absence of a common intention to that effect: *Pettitt v Pettitt* supra; *Thomas v Fuller-Brown* [1988] 1 FLR 237, CA; *Harwood v Harwood* [1992] 1 FCR 1, [1991] 2 FLR 274, CA. But see *Oxley v Hiscock* [2004] EWCA Civ 546 at [69], [2005] Fam 211 at [69], [2004] 3 All ER 703 at [69]; *Stack v Dowden* [2007] UKHL 17 at [36], [2007] 2 All ER 929 at [36] per Lord Walker.

6 *Springette v Defoe* [1992] 2 FCR 561 at 567, [1992] 2 FLR 388 at 393, CA, per Dillon LJ. A common intention by laymen to own their home jointly will be taken to mean an intention to own it equally: *Savill v Goodall* [1993] 1 FLR 755, CA.

7 In *Lloyds Bank plc v Rosset* [1991] 1 AC 107 at 130, [1990] 1 All ER 1111 at 1117, HL, Lord Bridge of Harwich observed that neither a common intention by spouses that a house is to be renovated as a joint venture nor a common intention that the house is to be shared by parents and children as the family home throws any light on their intentions with respect to its beneficial ownership. See also *Winkworth v Edward Baron Development Co Ltd* [1987] 1 All ER 114, [1986] 1 WLR 1512, HL.

8 See *Grant v Edwards* [1986] Ch 638, [1986] 2 All ER 426, CA; *Lloyds Bank plc v Rosset* [1991] 1 AC 107, [1990] 1 All ER 1111, HL; *Hammond v Mitchell* [1992] 2 All ER 109, [1991] 1 WLR 1127. See also *Ungurian v Lesnoff* [1990] Ch 206, [1989] 3 WLR 840.

9 *Lloyds Bank plc v Rosset* [1991] 1 AC 107, [1990] 1 All ER 1111, HL, distinguished in *Lloyds Bank plc v Carrick* [1996] 4 All ER 630, [1996] 2 FLR 600, CA; *Hammond v Mitchell* [1992] 2 All ER 109, [1991] 1 WLR 1127.

10 *Lloyds Bank plc v Rosset* [1991] 1 AC 107 at 133, [1990] 1 All ER 1111 at 1119, HL, per Lord Bridge of Harwich. However, in *Burns v Burns* [1984] Ch 317, [1984] 1 All ER 244, CA, and *Grant v Edwards* [1986] Ch 638, [1986] 2 All ER 426, CA, it seems to have been thought that indirect contributions would suffice provided that they are referable to the acquisition of the property. The need for referability was repeated in *Windeler v Whitehall* [1990] 2 FLR 505. But Lord Walker suggested that referability gave rise to problems and, given that the process of buying a house with a mortgage is a continuing process, the court should take a wide view of what is capable of counting as a contribution: *Stack v Dowden* [2007] UKHL 17 at [34], [2007] 2 All ER 929 at [34].

11 *Midland Bank plc v Dobson and Dobson* [1986] 1 FLR 171, CA; *Grant v Edwards* [1986] Ch 638, [1986] 2 All ER 426, CA; *Lloyds Bank plc v Rosset* [1991] 1 AC 107, [1990] 1 All ER 1111, HL.

12 *Kowalczuk v Kowalczuk* [1973] 2 All ER 1042, [1973] 1 WLR 930, CA; *Burns v Burns* [1984] Ch 317, [1984] 1 All ER 244, CA; *Thomas v Fuller-Brown* [1988] 1 FLR 237, CA; *Howard v Jones* [1989] Fam Law 231, CA.

13 *Stokes v Anderson* [1991] 1 FLR 391 at 399, [1991] FCR 539 at 543, CA, per Nourse LJ.

14 See *Marsh v von Sternberg* [1986] 1 FLR 526 (discount to sitting tenant); *Risch v McFee* (1990) 61 P & CR 42, CA (interest-free loan); *Springett v Defoe* (1992) 65 P & CR 1, [1992] 2 FLR 388, CA (discount under the right to buy); *Drake v Whipp* [1996] 2 FCR 296, [1996] 1 FLR 826, CA (where a constructive trust exists, a broad brush approach can be adopted by a court in order to determine the parties respective beneficial interests in a house).

The shares should normally be ascertained as at the date of separation: *Bernard v Josephs* [1982] Ch 391, [1982] 3 All ER 162, CA, per Denning MR and Kerr LJ (but see the different view of Griffiths LJ). All the members of the court agreed, however, that acts and events up to at least the date of separation were circumstances from which the common intention could be inferred.

See also *Gissing v Gissing* [1971] AC 886 at 909, [1970] 2 All ER 780 at 793, HL, per Lord Diplock, cited by Fox LJ in *Burns v Burns* [1984] Ch 317 at 327, [1984] 1 All ER 244 at 251, CA, and by Nourse LJ in *Stokes v Anderson* [1991] 1 FLR 391 at 399, CA; *Passee v Passee* [1988] 1 FLR 263, CA.

15 *Oxley v Hiscock* [2004] EWCA Civ 546 at [69], [2005] Fam 211 at [69], [2004] 3 All ER 703 at [69] per Chadwick LJ. See para 690 note 8 ante.

16 *Bernard v Josephs* [1982] Ch 391, [1982] 3 All ER 162, CA; *Gordon v Douce* [1983] 2 All ER 228, [1983] 1 WLR 563, CA; *Walker v Hall* [1984] FLR 126, [1984] Fam Law 21, CA; *Turton v Turton* [1988] Ch 542, [1987] 2 All ER 641, CA (disapproving *Hall v Hall* (1981) 3 FLR 379, CA). As to the equitable accounting that must take place before the money is distributed see *Shinh v Shinh* [1977] 1 All ER 97; *Suttill v Graham* [1977] 3 All ER 1117, [1977] 1 WLR 819, CA; *Bernard v Josephs* supra; *Re Gorman (a bankrupt), ex p the trustee of the bankrupt v the bankrupt* [1990] 1 All ER 717, [1990] 1 WLR 616, DC; *Re Pavlou (a bankrupt)* [1993] 3 All ER 955, [1993] 1 WLR 1046.

(4) THE TRUST ESTATE

(i) Title of the Trustee

A. EXTENT OF THE ESTATE TAKEN BY THE TRUSTEE IN LAND

724. Estate in land. Before 1 January 1926, questions of considerable difficulty not infrequently arose as to the legal estate taken by a trustee in freehold property which was subjected to a trust. Such questions can, however, no longer arise, as the only legal estates capable of existing in land and capable of being conveyed to or vested in trustees are an estate in fee simple absolute in possession and a term of years absolute[1]. Under the 1925 property legislation, the title was normally vested, in the case of a settlement by way of trust for sale, in the trustees for sale[2] and, in the case of a settlement under the Settled Land Act 1925, in the tenant for life or statutory owner as an express trustee[3].

Since 1 January 1997[4] it has not been possible to create a new settlement under the Settled Land Act 1925[5] and settlements under that Act and settlements by way of trust for sale have been replaced by trusts of land[6], under which the legal estate is vested in trustees of land[7].

1 See REAL PROPERTY vol 39(2) (Reissue) para 45; SETTLEMENTS vol 42 (Reissue) para 609.
2 See SETTLEMENTS vol 42 (Reissue) para 609.
3 See SETTLEMENTS vol 42 (Reissue) paras 609, 775 et seq. For transitional provisions relating to land which was held on trust for sale or was settled land on 1 January 1926 see the Law of Property Act 1925 s 39, Sch 1 (both as amended); and REAL PROPERTY vol 39(2) (Reissue) para 49 et seq. Where on 1 January 1997 any land was held on trust for sale, or on the statutory trusts, by virtue of Sch 1 (as amended) (transitional provisions), it is to be held, after that date, in trust for the persons interested in the land; and references in Sch 1 (as amended) to trusts for sale or trustees for sale or to the statutory trusts are to be construed accordingly: Trusts of Land and Appointment of Trustees Act 1996 s 5, Sch 2 para 7. See also para 605 note 5 ante.
4 Ie the date on which the Trusts of Land and Appointment of Trustees Act 1996 came into force.
5 See ibid s 2(1); para 601 note 6 ante; and REAL PROPERTY vol 39(2) (Reissue) para 65; SETTLEMENTS vol 42 (Reissue) paras 606, 675 et seq. There is a limited exception related to existing settlements: see s 2(2); and SETTLEMENTS vol 42 (Reissue) para 676.
6 For the meaning of 'trust of land' see para 605 note 5 ante.
7 See SETTLEMENTS vol 42 (Reissue) para 676. See also REAL PROPERTY. 'Trustees of land' means trustees of a trust of land: Trusts of Land and Appointment of Trustees Act 1996 s 1(1)(b).

725. Right to call for legal estate. Where the owner of an absolute equitable interest in land vests it in trustees, they have a right to call for the legal estate from the bare trustee[1].

1 *Angier v Stannard* (1834) 3 My & K 566; *Poole v Pass* (1839) 1 Beav 600. For the meaning of 'bare trustee' see para 755 post.

B. CHARACTER IN WHICH PROPERTY IS TAKEN

726. Presumption that no beneficial interest is taken. Where property is given to a person upon trust, there is a presumption that the property is given to him entirely as a trustee and not to any extent beneficially[1]. Where, however, the trust does not exhaust the whole beneficial interest in the property, this presumption can be rebutted by an indication in the instrument of disposition that he is intended to take the residue of it for his own benefit[2].

A gift of property by will to a person upon trust to carry out certain purposes creates a resulting trust of so much as is not required for the fulfilment of those purposes[3]; but if a gift is to be construed as a gift to a person subject to the carrying out of certain purposes, described in the will as trusts or charges, he takes the property beneficially after the purposes have been fulfilled[4].

A gift to a person for a trust or purpose which he is left at liberty either to perform or not at his option is a beneficial gift to him[5]. The trust or purpose in that case is the motive for the gift rather than the specific object for which it is given[6].

1 *Burgess v Wheate, A-G v Wheate* (1759) 1 Eden 177 at 251 per Henley, Lord Keeper; *Middleton v Spicer* (1783) 1 Bro CC 201 at 205 per Lord Thurlow LC; *Southouse v Bate* (1814) 2 Ves & B 396; *Clarke v Hilton* (1866) LR 2 Eq 810 at 815 per Stuart V-C; *Wainford v Heyl* (1875) LR 20 Eq 321; *Re West, George v Grose* [1900] 1 Ch 84 at 87 per Kekewich J. This applies in particular to a trustee taking by representation: see *Re Booth, Hattersley v Cowgill* (1917) 86 LJ Ch 270 (where *Re Howell, Re Buckingham, Liggins v Buckingham* [1915] 1 Ch 241, CA, was distinguished). See also *Re Chapman, Hales v A-G* [1922] 2 Ch 479, CA; *Re Pugh's Will Trusts, Marten v Pugh* [1967] 3 All ER 337, [1967] 1 WLR 1262.
2 *North v Crompton* (1671) 1 Cas in Ch 196; *Rogers v Rogers* (1733) 3 P Wms 193; *Hill v Bishop of London* (1738) 1 Atk 618; *Walton v Walton* (1807) 14 Ves 318 at 322; *Hughes v Evans* (1843) 13 Sim 496; *Russell v Clowes* (1846) 2 Coll 648; *Williams v Roberts* (1857) 4 Jur NS 18; *Williams v Arkle* (1875) LR 7 HL 606; *Croome v Croome* (1888) 59 LT 582, CA (affd (1889) 61 LT 814, HL); *A-G v Jefferys* [1908] AC 411, HL;

cf *Re Foord, Foord v Conder* [1922] 2 Ch 519. Extrinsic evidence is not admissible to show that a person taking as trustee on the face of a will is intended to take the surplus beneficially (*Re Rees, Williams v Hopkins* [1950] Ch 204, [1949] 2 All ER 1003, CA), although the position may be otherwise for inter vivos trusts (see *Re Tyler's Fund Trusts, Graves v King* [1967] 3 All ER 389 at 392, [1967] 1 WLR 1269 at 1275).

3 *Southouse v Bate* (1814) 2 Ves & B 396; *Barrs v Fewkes* (1864) 2 Hem & M 60; *Wainford v Heyl* (1875) LR 20 Eq 321; *Re West, George v Grose* [1900] 1 Ch 84.

4 *Coningham v Mellish* (1691) Prec Ch 31; *Dowager Duchess of Beaufort v Dowager Lady Granville* (1710) 3 Bro Parl Cas 37; *Docksey v Docksey* (1710) 3 Bro Parl Cas 39; *Dawson v Clarke* (1811) 18 Ves 247; *King v Denison* (1813) 1 Ves & B 260; *Barrs v Fewkes* (1864) 2 Hem & M 60 at 65–66; *Clarke v Hilton* (1866) LR 2 Eq 810; *Croome v Croome* (1888) 59 LT 582, CA (affd (1889) 61 LT 814, HL); *Re Foord, Foord v Conder* [1922] 2 Ch 519; *Re Rees, Williams v Hopkins* [1950] Ch 204, [1949] 2 All ER 1003, CA. For the rule that a personal representative prima facie holds undisposed of estate on trust for the persons entitled on intestacy see EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 583 et seq. Where a testator gives specific portions of his personal property to his executors upon trust, and elsewhere in the will calls them trustees, he does not thereby constitute them trustees of the rest of his personal property: *Batteley v Windle* (1786) 2 Bro CC 31; *Pratt v Sladden* (1807) 14 Ves 192. A gift of property to persons named as executors and trustees, to be disposed of to such person or persons and in such manner and proportions as they think proper, has been held an absolute beneficial gift to them (*Gibbs v Rumsey* (1813) 2 Ves & B 294), but the contrary has been held where the terms of the will were very slightly different (*Buckle v Bristow* (1864) 10 Jur NS 1095; *Yeap Cheah Neo v Ong Cheng Neo* (1875) LR 6 PC 381; *Re Pugh's Will Trusts, Marten v Pugh* [1967] 3 All ER 337, [1967] 1 WLR 1262). Where property is devised or bequeathed to a trustee upon certain trusts subject to the payment of legacies or other charges, he is a trustee only in respect of the designated trusts and not in respect of the legacies and charges, and no express trust is created for their payment: *Cunningham v Foot* (1878) 3 App Cas 974, HL; *Re Barker, Buxton v Campbell* [1892] 2 Ch 491; *Re Lacy, Royal General Theatrical Fund Association v Kydd* [1899] 2 Ch 149 at 156–157 per Stirling J; *Re Hazlette* [1915] 1 IR 285.

5 *Thorp v Owen* (1843) 2 Hare 607 at 616; *Barrs v Fewkes* (1864) 2 Hem & M 60 at 65 per Wood V-C; *Re Bowes, Earl of Strathmore v Vane* [1896] 1 Ch 507; *Re Lipinski's Will Trusts, Gosschalk v Levy* [1976] Ch 235, [1977] 1 All ER 33.

6 *Andrews v Partington* (1790) 2 Cox Eq Cas 223 at 224 per Lord Thurlow LC; *Brown v Casamajor* (1799) 4 Ves 498; *Hammond v Neame* (1818) 1 Swan 35 at 38; *Benson v Whittam, Hemming v Whittam* (1831) 5 Sim 22 at 30 per Shadwell V-C; *Thorp v Owen* (1843) 2 Hare 607 at 611.

C. POSSESSION AND INCIDENTS

727. Possession of trust estate. As against strangers, a trustee and his beneficiary are regarded in equity as one person, so that possession of trust property, whether real or personal, by the beneficiary is in general possession by the trustee[1]. Similarly, while the relation between trustee and beneficiary subsists, the possession of the trust property by the trustee is the possession of the beneficiary[2]. If property is given to the trustee to sell, it remains in him for that purpose until something is done to put an end to the character in which he stands; he is bound to protect the beneficiary's interest, and the length of time during which he has omitted to discharge his trust is no bar to his power or duty to perform it[3].

Where a trustee has as such taken possession of trust property, he cannot hold it adversely to a beneficiary after his estate as trustee has determined[4], but his continuance in possession is deemed that of the beneficiary[5].

1 *Earl of Pomfret v Lord Windsor* (1752) 2 Ves Sen 472 at 481 per Lord Hardwicke LC; *Keene d Lord Byron v Deardon* (1807) 8 East 248 at 263 per Lord Ellenborough CJ; *Parker v Carter* (1845) 4 Hare 400 at 417 per Wigram V-C. As to letting beneficiaries into possession see *Blake v Bunbury* (1790) 1 Ves 194; *Jenkins v Milford* (1820) 1 Jac & W 629; *Baylies v Baylies* (1844) 1 Coll 537; *Horner v Wheelwright* (1857) 2 Jur NS 367; *Warren v Rudall, ex p Godfrey* (1860) 1 John & H 1; *Taylor v Taylor, ex p Taylor* (1875) LR 20 Eq 297; *Re Bentley, Wade v Wilson* (1885) 54 LJ Ch 782. As to the delegation of powers of management to the beneficiary see the Trusts of Land and Appointment of Trustees Act 1996 s 9 (prospectively amended); the Trustee Delegation Act 1999 s 1; and paras 985, 987 post. The possession of trust chattels by a beneficiary under the instrument of trust is in law the possession of the trustee: *White v Morris* (1852) 11 CB 1015; *Barker v Furlong* [1891] 2 Ch 172. A beneficiary in actual occupation of trust land is in law tenant at will to the trustee: see LANDLORD AND TENANT vol 27(1) (2006 Reissue) para 199; LIMITATION OF

ACTIONS vol 28 (Reissue) 1052. As to the security of tenure of business premises where the tenancy is held on trust and business is carried on by the beneficiaries see LANDLORD AND TENANT vol 27(2) (2006 Reissue) paras 763–764; and as to the effect for limitation purposes of the possession by a beneficiary of land subject to the trust, or of the receiving of a payment by a beneficiary, see LIMITATION OF ACTIONS vol 28 (Reissue) paras 1052, 1101.

2 *Lord Grenville v Blyth* (1809) 16 Ves 224; *Chalmer v Bradley* (1819) 1 Jac & W 51 at 67 per Plumer MR; *Parker v Carter* (1845) 4 Hare 400 at 413–414. See also LIMITATION OF ACTIONS vol 28 (Reissue) para 1053.

3 *Chalmer v Bradley* (1819) 1 Jac & W 51 at 67. As to the effect of the running of time on the right of a beneficiary to recover trust property from a trustee see para 1124 post.

4 See the Limitation Act 1980 s 21; and LIMITATION OF ACTIONS vol 28 (Reissue) para 1037 et seq.

5 *Stone v Godfrey* (1854) 5 De GM & G 76 at 92 per Turner LJ.

728. Liability of trustee for legal outgoings and taxes. The possession by a trustee of the legal estate or legal ownership of trust property invests him with the legal burdens[1] and privileges incident to that estate or ownership[2]. If the property is leasehold, a trustee is liable to pay the rent reserved by and to perform the covenants contained in the lease under which the property is held[3].

1 As to payment of income tax in relation to trusts see INCOME TAXATION.

2 *Burgess v Wheate, A-G v Wheate* (1759) 1 Eden 177 at 251 per Henley, Lord Keeper. As to the trustee's right to reimbursements in respect of the burdens see paras 904–905 post. If a trustee conveys land which is wholly surrounded by his own land, the conveyance passes a right to a way of necessity over this land in accordance with the general law relating to ways of necessity: *Howton v Frearson* (1798) 8 Term Rep 50. See EASEMENTS AND PROFITS À PRENDRE. Only the trustee as landlord, and not the beneficiary, may levy distress for rent unpaid: *Schalit v Joseph Nadler Ltd* [1933] 2 KB 79, DC; and see DISTRESS vol 13 (2007 Reissue) para 922. As to conversion see para 601 note 4 ante.

3 *Walters v Northern Coal Mining Co* (1855) 5 De GM & G 629; *White v Hunt* (1870) LR 6 Exch 32; *Wright v Pitt* (1870) LR 12 Eq 408; *Ramage v Womack* [1900] 1 QB 116. See also LANDLORD AND TENANT vol 27(1) (2006 Reissue) paras 39, 561.

729. Right to title deeds. A trustee who is the owner of the legal estate in land is normally entitled to the custody of the title deeds and a beneficiary merely has a right to inspect and take copies of the deeds[1].

1 *Clayton v Clayton* [1930] 2 Ch 12 at 19. See also *Ex p Holdsworth* (1838) 4 Bing NC 386. As to the right of a tenant for life of settled land to custody of the title deeds, and as to the statutory provisions for the protection of the trustees of the settlement from liability in respect of documents of title placed in the possession of the tenant for life or statutory owner, see SETTLEMENTS vol 42 (Reissue) para 771. As to the release of title deeds see para 952 post. As to the rights to custody of title deeds generally see DEEDS AND OTHER INSTRUMENTS. See also REAL PROPERTY vol 39(2) (Reissue) para 87. As to rights to the transfer, retention and production of title deeds as between vendor and purchaser see SALE OF LAND vol 42 (Reissue) paras 131–132. Where, under a settlement of real and personal estate, land was purchased with money advanced by the trustees out of the personal estate and the trustees had a lien on the purchased land in respect of the advance, they were held to be entitled to the custody of the title deeds relating to it so long as their lien existed: *Wheeler v Tootell* (1903) 51 WR 693. See also *Corin v Thomas* (1881) 46 LT 916. As to lien generally see LIEN.

(ii) Transmission on Death or Bankruptcy

730. Death of co-trustee. On the death of one of two or more trustees, the right to the trust estate, with all its incidents, belongs to the surviving trustees or trustee[1].

Where, as is usually the case, the estate is vested in the trustees jointly, the legal interest in it passes to the survivor or survivors[2].

1 Co Litt 113a, 181b; *Butler v Lady Bray* (1560) Dyer 189; *Hudson v Hudson* (1735) Cas temp Talb 127; *A-G v Gleg* (1738) 1 Atk 356; *Lane v Debenham* (1853) 11 Hare 188; *Re Bacon, Toovey v Turner* [1907] 1 Ch 475. See further para 981 post.

2 See CHOSES IN ACTION vol 6 (2003 Reissue) para 78; COMPANIES vol 7(1) (2004 Reissue) para 888; MORTGAGE vol 32 (2005 Reissue) para 587; PERSONAL PROPERTY vol 35 (Reissue) para 1264.

731. Death of sole trustee. All real estate to which a sole or last surviving trustee is entitled for an interest not ceasing on his death, and which is held on any trust, devolves from time to time on his personal representative, notwithstanding any testamentary disposition by the deceased trustee, in the same manner as if it were a chattel real[1]. Probate or administration may be granted in respect of a trust estate only[2]. Where a person dies intestate, his real and personal estate vest in the Public Trustee until the grant of administration; and where a testator dies and (1) at the time of his death there is no executor with power to obtain probate of the will; or (2) at any time before probate of the will is granted there ceases to be any executor with power to obtain probate, the real and personal estate of which he disposes by the will vests in the Public Trustee until the grant of representation[3].

1 See the Administration of Estates Act 1925 ss 1(1), 3(1)(ii) (as amended); and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 363. As to the powers of the personal representative in relation to trust estates so devolving see s 2 (as amended); and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 438 et seq.

2 See the Supreme Court Act 1981 s 113; and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) paras 11–12. As from a day to be appointed, the Supreme Court Act 1981 is renamed the Senior Courts Act 1981 by the Constitutional Reform Act 2005 s 59(5), Sch 11 para 1(1) (not yet in force): see para 632 note 1 ante; and COURTS. At the date at which this volume states the law no such day had been appointed.

3 See the Administration of Estates Act 1925 s 9(1), (2) (s 9 as substituted); and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 34. In relation to deaths on or after 1 January 1995, the vesting of real or personal estate in the Public Trustee does not, however, confer on him any beneficial interest in, or impose on him any duty, obligation or liability in respect of, the property: see the Administration of Estates Act 1925 s 9(3) (as substituted); the Law of Property (Miscellaneous Provisions) Act 1994 (Commencement No 2) Order 1995, SI 1995/1317; and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 34. In relation to deaths before that date, the property of the deceased vested in the Public Trustee on that date: see the Law of Property (Miscellaneous Provisions) Act 1994 s 14(2), (3), (4); and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 34. See also *Practice Direction* [1995] 3 All ER 192, [1995] 1 WLR 1120. As to the Public Trustee see para 766 et seq post.

732. Devolution of settled land on death. Where the legal estate in settled land is vested in a person as being a tenant for life or statutory owner, and at his death the land is so vested in him alone, it devolves on his personal representatives[1]. The persons who are at his death the trustees of the settlement may be appointed, and in default of express appointment will be deemed to have been appointed, by the testator[2] as his special executors in regard to the settled land, and probate may be granted to the trustees specially limited to the settled land[3].

1 See the Administration of Estates Act 1925 ss 1(1), 3(1)(ii) (s 3(1)(ii) as amended); and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 335.

2 Ie the deceased tenant for life or statutory owner.

3 Administration of Estates Act 1925 s 22(1). The testator may appoint other persons to be his general executors in regard to his other property and assets: see s 22(2); and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 231. As to the devolution of settled land on death see further EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 367 et seq. With limited exceptions, it is no longer possible to create new settlements under the Settled Land Act 1925: see the Trusts of Land and Appointment of Trustees Act 1996 s 2; and para 601 note 6 ante. See also para 724 ante. For these purposes, 'settled land' means land vested in the testator which was settled previously to his death and not by his will: Administration of Estates Act 1925 s 22(1).

733. Effect of bankruptcy on trustee. Where a person becomes bankrupt, property held by him on trust for another person does not pass to his trustee in bankruptcy, but remains vested in him upon the trusts to which it is subject[1].

1 See the Insolvency Act 1986 s 283(3)(a); and BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 428. A person's bankruptcy may be a ground for removing him from the office of trustee: see paras 824, 836, 900 post. As to execution against trustees see ENFORCEMENT.

(5) BENEFICIARIES UNDER THE TRUST

(i) Estate of Beneficiaries

A. EXTENT OF THE ESTATE TAKEN

734. In general. In relation to express trusts the extent of the interest taken by the beneficiary is a matter of the intention of the settlor[1] as expressed in the trust instrument[2], if any.

1 As to the necessity for certainty in relation to the beneficial interest to be taken see para 653 ante.
2 As to the interpretation of written instruments generally see DEEDS AND OTHER INSTRUMENTS vol 13 (2007 Reissue) para 164 et seq.

735. Rules of construction. In the construction of an executed trust[1], technical terms are to be construed in their legal and technical sense[2].

Thus where in a deed coming into operation before 1 January 1926 an equitable fee simple was settled, or a legal estate in fee simple was conveyed to trustees and equitable limitations were engrafted on it, then, if technical terms were used in the deed[3], the limitations must be construed as if they were limitations of the legal estate, and thus the absence of appropriate technical words of limitation would be fatal. If, however, in such a deed strict phraseology was not used, the court may give effect to the settlor's intention, so that, for example, the equitable fee simple would pass, even though no apt words of limitation were used[4]. Similarly, where limitations were by reference to another instrument and the interests conferred by that instrument were absolute interests, the equitable fee simple passed, if the settlor's intention was clear, notwithstanding the absence of words of limitation[5], and in the case of an executory trust the equitable fee simple passed provided only that the intention was clear that it should[6]. It was immaterial whether the equitable fee simple was created by the deed itself or was an equity of redemption[7].

In the case of a deed coming into operation after 31 December 1925 the position is different. In deeds executed after that date a conveyance of freehold land to a person without any words of limitation, or any equivalent expression, passes to the grantee the fee simple or other the whole interest which the grantor had power to convey in the land, unless a contrary intention appears[8]. All limitations of future interests in land take effect only in equity[9]. It has not been possible to create an entailed interest since 31 December 1996[10].

1 As to executed and executory trusts see para 626 ante; and as to the interpretation of written instruments generally see DEEDS AND OTHER INSTRUMENTS vol 13 (2007 Reissue) para 164 et seq.
2 *Stanley v Lennard* (1758) 1 Eden 87 at 94–95 per Henley, Lord Keeper; *Wright v Pearson* (1758) 1 Eden 119 at 125 per Henley, Lord Keeper; *Austen v Taylor* (1759) 1 Eden 361 at 366; *Jones v Morgan* (1783) 1 Bro CC 206; *Jervoise v Duke of Northumberland* (1820) 1 Jac & W 559; *Holliday v Overton* (1852) 15 Beav 480; *Lucas v Brandreth (No 2)* (1860) 28 Beav 274; *Meyler v Meyler* (1883) 11 LR Ir 522; *Re Whiston's Settlement, Lovatt v Williamson* [1894] 1 Ch 661; *Re Bennett's Estate* [1898] 1 IR 185; *Sydall v Castings Ltd* [1967] 1 QB 302, [1966] 3 All ER 770, CA. For the principle that equity followed the analogy of legal estates see EQUITY vol 16(2) (Reissue) paras 554–555.
3 *Lucas v Brandreth (No 2)* (1860) 28 Beav 274; *Re Whiston's Settlement, Lovatt v Williamson* [1894] 1 Ch 661; *Dearberg v Letchford* (1895) 72 LT 489; *Re Hudson, Kühne v Hudson* (1895) 72 LT 892; *Re Irwin, Irwin v Parkes* [1904] 2 Ch 752; *Re Bostock's Settlement, Norrish v Bostock* [1921] 2 Ch 469, CA (in the absence of any limitation to the children and their 'heirs' the children took life estates only notwithstanding other indications of the settlor's intention to confer absolute interests; the earlier cases were considered and *Re*

Tringham's Trusts, Tringham v Greenhill [1904] 2 Ch 487 was overruled). The decisions in *Re Nutt's Settlement, McLaughlin v McLaughlin* [1915] 2 Ch 431 and in *Re Gillies' Settlement, Archer v Penney* [1917] 2 Ch 205, in so far as they are based on *Re Tringham's Trusts, Tringham v Greenhill* supra, would appear also to be overruled: see REAL PROPERTY vol 39(2) (Reissue) para 93.

4 *Re Arden, Short v Camm* [1935] Ch 326. See also *Re Bostock's Settlement, Norrish v Bostock* [1921] 2 Ch 469 at 480, 483, 489–490, CA; *Re Sergie, Shribman v Hall* [1954] NI 1 at 6–8 per Lord Macdermott LCJ.

5 *Pugh v Drew* (1869) 17 WR 988; *Re Bostock's Settlement, Norrish v Bostock* [1921] 2 Ch 469 at 489–490, CA, per Younger LJ.

6 *Re Oliver's Settlement, Evered v Leigh* [1905] 1 Ch 191; *Re Bostock's Settlement, Norrish v Bostock* [1921] 2 Ch 469 at 485–486, CA, per Warrington LJ. As to executory trusts see para 626 ante.

7 *Re Whiston's Settlement, Lovatt v Williamson* [1894] 1 Ch 661; *Re Bostock's Settlement, Norrish v Bostock* [1921] 2 Ch 469 at 480, CA, per Lord Sterndale MR, and at 489 per Younger LJ. The distinction in this respect drawn by Joyce J in *Re Tringham's Trusts, Tringham v Greenhill* [1904] 2 Ch 487 (see note 3 supra) cannot be supported.

8 See the Law of Property Act 1925 s 60(1), (4) (as amended); and DEEDS AND OTHER INSTRUMENTS vol 13 (2007 Reissue) para 242; REAL PROPERTY vol 39(2) (Reissue) para 93.

9 See ibid s 4(1); and REAL PROPERTY vol 39(2) (Reissue) para 46.

10 See the Trusts of Land and Appointment of Trustees Act 1996 s 2, Sch 1 para 5; and SETTLEMENTS vol 42 (Reissue) para 677. Before that date it was possible to create such an interest, provided that the proper technical words were used: see the Law of Property Act 1925 ss 60(4) proviso (b), 130(1) (both repealed); and REAL PROPERTY vol 39(2) (Reissue) para 117 et seq.

736. Trusts to benefit a person in a specified manner. A trust of capital or income for the benefit in some specified manner of a person who is sui juris[1] confers on him an absolute beneficial interest in the capital or income, as the case may be[2]. If the trust in his favour is not limited to his life or some shorter period, it gives him[3], or, if he becomes bankrupt, his trustee in bankruptcy[4], the right to call for a transfer of the trust property.

A trust to apply the income of property for the benefit of a person or object in some specified manner or in such manner as the trustees think fit is an absolute trust of the income for that person or object[5]. A trust to apply the whole or part of the income in a specified manner for the benefit of a person is, however, a trust for him of only so much as is necessary for that purpose[6]; and, if the trustees are given a discretion as to the amount to be applied, they are at liberty to exercise that discretion by limiting the amount[7].

1 As to the management of the property and affairs of persons who lack capacity to make relevant decisions see MENTAL HEALTH vol 30(2) (Reissue) para 671 et seq.

2 *Josselyn v Josselyn* (1837) 9 Sim 63 (direction for maintenance out of income and deferred payment of capital); *Magrath v Morehead* (1871) LR 12 Eq 491 (fund directed to be settled by beneficiaries on themselves on marriage); *Watkins v Watkins* [1896] P 222 at 227, CA, per Lindley LJ; *Re Bowes, Earl of Strathmore v Vane* [1896] 1 Ch 507(money to be laid out in planting trees on an estate); *Re Lipinski's Will Trusts, Gosschalk v Levy* [1976] Ch 235, [1977] 1 All ER 33 (bequest for the construction and improvement of buildings). However, see *Re Denley's Trust Deed, Holman v HH Martyn & Co Ltd* [1969] 1 Ch 373, [1968] 3 All ER 65 (land conveyed to trustees to be used for the benefit of employees as a recreation or sports ground; one interpretation of the judgement is that the beneficial interest is in suspense and the person to be benefited has no more than a right to enforce performance of the trust); *Carreras Rothmans Ltd v Freeman Mathews Treasure Ltd* [1985] Ch 207 at 222–223, [1985] 1 All ER 155 at 165–166 per Peter Gibson LJ (citing *Re Northern Developments (Holdings) Ltd* (6 October 1978, unreported)). See also para 607 ante.

3 *Josselyn v Josselyn* (1837) 9 Sim 63; *Saunders v Vautier* (1841) Cr & Ph 240; *Rocke v Rocke* (1845) 9 Beav 66; but see *Gott v Nairne* (1876) 3 ChD 278. See also para 750 et seq post.

4 *Green v Spicer* (1830) 1 Russ & M 395; *Rippon v Norton* (1839) 2 Beav 63; *Kearsley v Woodcock* (1843) 3 Hare 185; *Younghusband v Gisborne* (1844) 1 Coll 400. See also BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 402.

5 *Barlow v Grant* (1684) 1 Vern 255; *Cope v Wilmot* (1772) 1 Coll 396 note (a); *Hanson v Graham* (1801) 6 Ves 239 at 249; *Green v Spicer* (1830) 1 Russ & M 395; *Piercy v Roberts* (1832) 1 My & K 4; *Snowdon v Dales* (1834) 6 Sim 524; *Thompson v Thompson* (1844) 1 Coll 381 at 397–398; *Younghusband v Gisborne* (1844) 1 Coll 400; *Re Sanderson's Trust* (1857) 3 K & J 497 at 503 per Wood V-C; *Re Osoba, Osoba v Osoba* [1979] 2 All ER 393, [1979] 1 WLR 247, CA.

6 *Hanson v Graham* (1801) 6 Ves 239 at 249 per Grant MR; *Re Sanderson's Trust* (1857) 3 K & J 497; *Re Abbott Fund Trusts, Smith v Abbott* [1900] 2 Ch 326.

7 *Leake v Robinson* (1817) 2 Mer 363 at 384 per Grant MR; *Re Sanderson's Trust* (1857) 3 K & J 497 at 507 per Wood V-C. Where a discretionary trust to apply the whole or part of the interest of a fund for the maintenance or support of a person suffering from mental incapacity during his life was created by will, the trustee in bankruptcy of the beneficiary was not entitled to any portion of the provision made for him, even though there was no other object of the discretion: *Twopeny v Peyton* (1840) 10 Sim 487. See also BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 402.

737. Interests determinable on alienation. Property may be given to or in trust for a person until he anticipates or alienates any part of the capital or income or attempts to do so, whether by bankruptcy or otherwise, and then in trust for some other person or object[1]. If the donee or beneficiary is himself the actual settlor of the property, the gift over is normally valid if the settlor's interest is determined by an event other than his bankruptcy[2]; but if the event purporting to determine his interest is his bankruptcy, the gift over is ineffective as against the settlor's trustee in bankruptcy[3].

1 *Lockyer v Savage* (1733) 2 Stra 947; *Ex p Cooke* (1803) 8 Ves 353; *Ex p Hinton* (1808) 14 Ves 598; *Ex p Hodgson* (1812) 19 Ves 206; *Manning v Chambers* (1847) 1 De G & Sm 282; *Rochford v Hackman* (1852) 9 Hare 475; *Seymour v Lucas* (1860) 1 Drew & Sm 177; *Billson v Crofts* (1873) LR 15 Eq 314; *Re Aylwin's Trusts* (1873) LR 16 Eq 585; *Re Laye, Turnbull v Laye* [1913] 1 Ch 298; *Re Cooper, Townend v Townend* (1917) 86 LJ Ch 507 (where there was a gift over, on the bankruptcy of a legatee, as if he were then actually dead, to persons who could not be ascertained until his actual death, and there was held to be an intestacy as to the intermediate income until his death); *Re Hamilton, FitzGeorge v FitzGeorge* (1921) 124 LT 737, CA. Where income is directed to be held on protective trusts for the benefit of a person, such a clause contemplates a continuous benefit to the beneficiaries (i e that either the principal beneficiary should enjoy the income or the persons entitled under the discretionary trust should do so): *Re Gourju's Will Trusts, Starling v Custodian of Enemy Property* [1943] Ch 24 at 30, [1942] 2 All ER 605 at 607 per Simmonds J (where the principal beneficiary was deprived of his right to receive income by wartime legislation). The validity of interests determinable on bankruptcy in the context of occupational pension schemes was upheld in *Re Scientific Investment Pension Plan Trusts* [1999] Ch 53, [1998] 3 All ER 154; approved in *Re Malcolm* [2004] EWCA Civ 1748, [2005] 1 WLR 1238, [2005] ICR 611. As to the method of settling property where it is desired to create a determinable interest see the Trustee Act 1925 s 33 (as amended); para 657 ante; and SETTLEMENTS vol 42 (Reissue) para 915 et seq. As to the invalidity of restraints upon anticipation or alienation attached to interests otherwise absolute see para 743 post.

2 *Brooke v Pearson* (1859) 27 Beav 181; *Knight v Browne* (1861) 30 LJ Ch 649; *Re Detmold, Detmold v Detmold* (1889) 40 ChD 585; *Re Burroughs-Fowler, Burroughs-Fowler's Trustee v Burroughs-Fowler* [1916] 2 Ch 251; *Re Richardson's Will Trusts, Public Trustee v Llewellyn-Evans' Trustee* [1958] Ch 504, [1958] 1 All ER 538. A provision for determination does not of itself render the whole settlement fraudulent: see BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 405.

3 *Re Meaghan* (1803) 1 Sch & Lef 179; *Higinbotham v Holme* (1811) 19 Ves 88; *Wilson v Greenwood* (1818) 1 Swan 471 at 481 note (a); *Re Burroughs-Fowler, Burroughs-Fowler's Trustee v Borroughs-Fowler* [1916] 2 Ch 251. See BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 409.

738. Discretionary trusts for a class of beneficiaries. A settlor may settle property upon exhaustive discretionary trusts under which the trustees in their discretion must distribute trust income among such members of a class of beneficiaries as they see fit and in such shares as they see fit[1]. Each class member has only a hope that the trustees' discretion will be exercised in his favour[2]. He has a right, however, to apply to the court to ensure, directly or indirectly, that the trustee's duties are duly carried out[3]. The trustees must exercise their discretion as income becomes available unless doubts exist as to the validity of the trusts. If, for one reason or another, the discretion is not promptly exercised, it remains exercisable despite the passing of time, but only in favour of such persons as would have been objects of the discretion had it been exercised within a reasonable time[4]. The trustees' discretion must only be exercised in good faith in favour of those within the class of beneficiaries[5], and the trustees are in the same fiduciary position as other trustees. Where the income accruing to the trustees of a discretionary trust is in favour of a class of beneficiaries which is not closed, the sole

members of that class for the time being cannot claim an immediate entitlement to that income so long as there exists a possibility that another member of the class could come into existence before a reasonable time for the distribution of the accrued income has elapsed[6].

If each class member is sui juris, then, if the members are unanimous, they may require all the income to be distributed to them[7]. Membership of the class of beneficiaries may, however, be so broad that it is impossible to list all the members[8]; in such a case it will be impossible to ascertain that unanimity exists[9]. Under a discretionary trust of capital for class members alive at a specified date (usually designated as the 'closing date' in the settlement), if such class members are adult, sane and unanimous, then, as they are absolutely entitled to capital[10], they may require the capital to be paid to themselves[11].

1 The income must be exhausted by the trustees' payments to or for beneficiaries. If the discretionary trusts were non-exhaustive, the trustees could withhold income (e g under a power of accumulation) and the beneficiaries could not object to this: *Sainsbury v IRC* [1970] Ch 712, [1969] 3 All ER 919.

2 *Re Munro's Settlement Trusts* [1963] 1 All ER 209, [1963] 1 WLR 145; *Gartside v IRC* [1968] AC 553, [1968] 1 All ER 121, HL; *Re Weir's Settlement Trusts, Macpherson and Weir v IRC* [1969] 1 Ch 657, [1968] 2 All ER 1241 (revsd [1971] Ch 145, [1970] 1 All ER 297, CA, without casting doubt on relevant dicta in the court of first instance); *Sainsbury v IRC* [1970] Ch 712, [1969] 3 All ER 919. If an object of a discretionary trust assigns his interest or becomes bankrupt, it is clear that the assignee or trustee in bankruptcy cannot, any more than the discretionary beneficiary could have done, demand payment of any part of the fund: *Re Smith, Public Trustee v Aspinall* [1928] Ch 915; *R v Barnet Magistrates' Court, ex p Cantor* [1998] 2 All ER 333, [1999] 1 WLR 334.

3 *McPhail v Doulton* [1971] AC 424, [1970] 2 All ER 228, HL. The sanction may be an injunction or an order for the removal of the trustees. See *Re Murphy's Settlements* [1998] 3 All ER 1, sub nom *Murphy v Murphy* [1999] 1 WLR 282; and para 1071 post.

4 *Re Locker's Settlement Trusts, Meachem v Sachs* [1978] 1 All ER 216, [1977] 1 WLR 1323, DC.

5 This is the position even where trustees are exercising mere powers: *Re Manisty's Settlement, Manisty v Manisty* [1974] Ch 17, [1973] 2 All ER 1203; *Re Hay's Settlement Trusts* [1981] 3 All ER 786, [1982] 1 WLR 202.

6 *Re Trafford's Settlement, Moore v IRC* [1985] Ch 32, [1984] 1 All ER 1108.

7 *Re Smith, Public Trustee v Aspinall* [1928] Ch 915.

8 *McPhail v Doulton* [1971] AC 424, [1970] 2 All ER 228, HL; *Re Baden's Deed Trusts (No 2)* [1973] Ch 9, [1972] 2 All ER 1304, CA. See further para 657 ante.

9 In such a case a beneficiary's rights are similar to those of a residuary legatee while the testator's estate is in the course of administration: cf *Stamp Duties Comr (Queensland) v Livingston* [1965] AC 694, [1964] 3 All ER 692, PC.

10 *Saunders v Vautier* (1841) 4 Beav 115; and see para 749 post.

11 The extent to which a discretionary beneficiary can be said to have an interest in the trust income or capital for the purposes of taxation legislation depends on the context: see *Gartside v IRC* [1968] AC 553, [1968] 1 All ER 121, HL; *Leedale v Lewis* [1982] 3 All ER 808, [1982] 1 WLR 1319, HL; para 751 post; and INHERITANCE TAXATION vol 24 (Reissue) para 479.

739. Statutory right of beneficiaries to occupy trust land. A beneficiary[1] who is beneficially entitled[2] to an interest in possession[3] in land subject to a trust of land[4] is entitled by reason of his interest to occupy the land at any time if at that time the purposes of the trust include making the land available for his occupation (or for the occupation of beneficiaries of a class of which he is a member or of beneficiaries in general), or the land is held by the trustees so as to be so available[5]. This does not confer on a beneficiary a right to occupy land if it is either unavailable or unsuitable for occupation by him[6].

Where two or more beneficiaries are, or otherwise would be[7], entitled to occupy land, the trustees of land[8] may exclude or restrict the entitlement of any one or more (but not all) of them[9]. Trustees may not unreasonably exclude any beneficiary's entitlement to occupy land, or restrict any such entitlement to an unreasonable extent[10]. The trustees of land may from time to time impose reasonable conditions[11] on any

beneficiary in relation to his occupation of land by reason of his entitlement under these provisions[12]. In exercising such powers, the trustees must have regard to: (1) the intentions of the person or persons (if any) who created the trust; (2) the purposes for which the land is held; and (3) the circumstances and wishes of each of the beneficiaries who is (or apart from any previous exercise by the trustees of those powers would be) entitled to occupy the land[13].

The powers conferred on trustees by these provisions may not be exercised so as to prevent any person who is in occupation of land[14] from continuing to occupy the land, or in a manner likely to result in any such person ceasing to occupy the land, unless he consents or the court has given approval[15].

These provisions apply, with appropriate modifications, to personal representatives[16].

The county court has jurisdiction under these provisions, whatever the amount involved, and whatever the value of any fund or asset connected with the proceedings[17].

1 For the purposes of the Trusts of Land and Appointment of Trustees Act 1996, 'beneficiary', in relation to a trust, means any person who under the trust has an interest in property subject to the trust (including a person who has such an interest as a trustee or a personal representative): s 22(1).
2 References to a beneficiary who is beneficially entitled do not include a beneficiary who has an interest in property subject to the trust only by reason of being a trustee or personal representative: ibid s 22(2).
3 A person who is a beneficiary only by reason of being an annuitant is not to be regarded as entitled to an interest in possession in land subject to the trust: ibid s 22(3).
4 For the meaning of 'trust of land' see para 605 note 5 ante.
5 Trusts of Land and Appointment of Trustees Act 1996 s 12(1). Section 12 is subject to s 13 (see the text and notes 7–15 infra).
6 Ibid s 12(2).
7 Ie apart from ibid s 13(1) (see the text to note 9 infra).
8 For the meaning of 'trustees of land' see para 724 note 7 ante.
9 Trusts of Land and Appointment of Trustees Act 1996 s 13(1). Where the property lends itself to physical partition the trustee may exclude or restrict one beneficiary's right to occupy one part whilst at the same time excluding or restricting another beneficiary's right to occupy the other part: *Rodway v Landy* [2001] EWCA Civ 471, [2001] Ch 703.
10 Trusts of Land and Appointment of Trustees Act 1996 s 13(2).
11 Such conditions may include, in particular, conditions requiring him to pay any outgoings or expenses in respect of the land, or to assume any other obligation in relation to the land or to any activity which is or is proposed to be conducted there: ibid s 13(5). Where the entitlement of any beneficiary to occupy land under s 12 (see the text and notes 1–6 supra) has been excluded or restricted, the conditions which may be imposed on any other beneficiary under s 13(3) include, in particular, conditions requiring him to make payments by way of compensation to the beneficiary whose entitlement has been excluded or restricted, or to forgo any payment or other benefit to which he would otherwise be entitled under the trust so as to benefit that beneficiary: s 13(6).
12 Ibid s 13(3).
13 Ibid s 13(4).
14 Ie whether or not by reason of an entitlement under ibid s 12 (see the text and notes 1–6 supra).
15 Ibid s 13(7). In determining whether to give approval, the court must have regard to the matters mentioned in heads (1)–(3) in the text: s 13(8).
16 See ibid s 18.
17 See the High Court and County Courts Jurisdiction Order 1991, SI 1991/724, art 2(1)(p) (added by SI 1996/3141).

B. DEALINGS WITH BENEFICIAL INTERESTS

740. Power of alienation. A beneficiary under a trust possesses the same power of alienation or disposition with respect to his equitable estate or interest under the trust as a legal owner has over his legal estate or interest in property[1], and he can exercise it by similar instruments and with similar formalities[2].

1 *Hopkins v Hopkins* (1739) West temp Hard 606 at 621 per Lord Hardwicke LC; *Brydges v Brydges, Philips v Brydges* (1796) 3 Ves 120 at 127 per Arden MR. See also EQUITY vol 16(2) (Reissue) para 601 et seq; PERSONAL PROPERTY vol 35 (Reissue) para 1249 et seq; REAL PROPERTY vol 39(2) (Reissue) para 229 et seq.

2 *Wagstaff v Wagstaff* (1724) 2 P Wms 258; *Adlington v Cann* (1744) 3 Atk 141 at 151 per Lord Hardwicke LC; *Jones v Clough* (1751) 2 Ves Sen 365 at 366 per Strange MR; *Donaldson v Donaldson* (1854) Kay 711 at 720 per Wood V-C. See also DEEDS AND OTHER INSTRUMENTS vol 13 (2007 Reissue) paras 23–26. A person beneficially interested in trust property can only alienate his interest by an instrument in writing inter vivos signed by him or by his will: see the Law of Property Act 1925 s 53(1)(c); and *Grey v IRC* [1960] AC 1, [1959] 3 All ER 603, HL. The refusal by a beneficiary for life to receive the income of the trust property during a certain period does not preclude him from retracting his refusal and claiming to receive it afterwards: *Re Young, Fraser v Young* [1913] 1 Ch 272.

741. Notice to the trustee. Although notice to the trustee of a disposition of an equitable estate or interest is not essential to the validity of the disposition[1], such notice has, as regards an equitable interest in pure personalty or in the proceeds of sale of land held upon trust, for many years regulated the priority of competing claimants to that interest[2], and, since 31 December 1925, has regulated also the priority of equitable interests in land and in capital money arising under the Settled Land Act 1925[3] and the Acts superseded by that Act[4].

Under this doctrine of priority by notice[5], as modified by statute[6], where two or more persons claim to be assignees of an equitable interest in property, they are entitled as between themselves to priority in the order of time in which effective notice in writing[7] is received or deemed to have been received[8].

1 *Donaldson v Donaldson* (1854) Kay 711 at 719; *Re Lowes' Settlement* (1861) 30 Beav 95 at 97; *Re Way's Trusts* (1864) 2 De GJ & Sm 365. As to notice to trustees generally see CHOSES IN ACTION vol 6 (2003 Reissue) para 20 et seq; MORTGAGE vol 32 (2005 Reissue) para 467 et seq.

2 *Dearle v Hall, Loveridge v Cooper* (1828) 3 Russ 1; *Foster v Cockerell* (1835) 3 Cl & Fin 456, HL; *Meux v Bell* (1841) 1 Hare 73 at 83 et seq per Wigram V-C; *Stocks v Dobson* (1853) 4 De GM & G 11 at 17 per Turner LJ; *Lee v Howlett* (1856) 2 K & J 531; *Browne v Savage* (1859) 4 Drew 635 at 639 per Kindersley V-C; *Re Freshfield's Trust* (1879) 11 ChD 198; *Arden v Arden* (1885) 29 ChD 702; *Mutual Life Assurance Society v Langley* (1886) 32 ChD 460; CA; *Ward v Duncombe* [1893] AC 369 at 376 et seq, HL, per Lord Herschell LC.

3 See SETTLEMENTS vol 42 (Reissue) para 795 et seq.

4 See the Law of Property Act 1925 s 137; and CHOSES IN ACTION vol 6 (2003 Reissue) para 46; SALE OF LAND vol 42 (Reissue) paras 320–321.

5 The doctrine of priority by notice does not apply to a declaration of trust relating to an equitable interest: *Hill v Peters* [1918] 2 Ch 273 (but see Lord Cohen's explanation of this case in *BS Lyle Ltd v Rosher* [1958] 3 All ER 597 at 609, [1959] 1 WLR 8 at 23, HL). As to when priority by notice is unobtainable see CHOSES IN ACTION vol 6 (2003 Reissue) para 41 et seq; and as to a stop order constituting notice in the case of a fund in court see CHOSES IN ACTION vol 6 (2003 Reissue) para 56.

6 See the Law of Property Act 1925 ss 137, 138 (both as amended); and CHOSES IN ACTION vol 6 (2003 Reissue) para 46 et seq.

7 As to what constitutes effective notice see CHOSES IN ACTION vol 6 (2003 Reissue) para 47 et seq. As to the sufficiency of notice to the solicitors of trustees see CHOSES IN ACTION vol 6 (2003 Reissue) para 58; SOLICITORS vol 44(1) (Reissue) para 130.

8 This rule is known as the rule in *Dearle v Hall* (see *Dearle v Hall, Loveridge v Cooper* (1828) 3 Russ 1). The rule has no application where the assignor had no beneficial interest and had not deprived himself of one by voluntarily divesting himself of it: *BS Lyle Ltd v Rosher* [1958] 3 All ER 597, [1959] 1 WLR 8, HL.

742. Trustee's duty towards assigns and incumbrancers. A trustee stands in the same fiduciary relation and has the same duties towards the assigns of a beneficiary or towards persons in whose favour a beneficiary has given a charge on the trust property as towards the beneficiary himself[1]. Notwithstanding a mortgagee's statutory power to give receipts[2], a trustee is not bound to hand over to the mortgagee of a beneficiary's share the whole of the share which the beneficiary was entitled to receive, and does not act unreasonably in refusing to do so where, to his knowledge, a question exists as to the mortgagee's right to the whole of the share[3]. He may not, however, require an assignee of the share of a beneficiary to deliver to him the assignment and other documents of title before handing over the share[4].

1 *Wellesley v Wellesley* (1839) 4 My & Cr 561 at 578 per Lord Cottenham LC; *Davis v Hutchings* [1907] 1 Ch 356 at 361.
2 See MORTGAGE vol 32 (2005 Reissue) para 673.
3 *Re Bell, Jeffery v Sayles* [1896] 1 Ch 1, CA; *Hockey v Western* [1898] 1 Ch 350, CA.
4 *Re Palmer, Lancashire and Yorkshire Reversionary Interest Co v Burke* [1907] 1 Ch 486.

743. Trusts in restraint of alienation. Where a trust confers in other respects an absolute estate or interest in property on a beneficiary of full age and sound mind, whether for life or altogether, a provision in restraint of the anticipation or alienation of either the capital or the income of the property, whether by bankruptcy or otherwise, or a provision that it is not to be liable to the claims of creditors, is void[1], as it would deprive the interest given of one of its legal incidents[2]. It makes no difference that a discretion is given to the trustee as to the mode of applying the capital or income for the benefit of the beneficiary[3]. However, a gift to a beneficiary until he becomes bankrupt or attempts to alienate his interest is good[4].

1 *Bradley v Peixoto* (1797) 3 Ves 324; *Brandon v Robinson* (1811) 18 Ves 429; *Graves v Dolphin* (1826) 1 Sim 66; *Re Dugdale, Dugdale v Dugdale* (1888) 38 ChD 176. See also GIFTS vol 20(1) (Reissue) paras 52–57; REAL PROPERTY vol 39(2) (Reissue) para 146. A covenant not to alienate is not repugnant to the power of alienation; the covenantee may recover damages (which may be nominal) for breach of the covenant: *Caldy Manor Estate Ltd v Farrell* [1974] 3 All ER 753, [1974] 1 WLR 1303, CA. As to bankrupts and their rights under an annuity contract or pensions scheme containing a restriction against alienation see *Krasner v Dennison, Lawrence v Lesser* [2001] Ch 76, [2000] 3 All ER 234, CA.
2 Co Litt 222b et seq; *Brandon v Robinson* (1811) 18 Ves 429 at 433 per Lord Eldon LC; *Ross v Ross* (1819) 1 Jac & W 154 at 156 per Plumer MR; *Ware v Cann* (1830) 10 B & C 433; *Hood v Oglander* (1865) 34 Beav 513; *Re Dugdale, Dugdale v Dugdale* (1888) 38 ChD 176 at 179 et seq per Kay J; *Re Cockerill, Mackaness v Percival* [1929] 2 Ch 131. A disposition in trust which tends directly to contravene the law is bad, whether in respect of real or personal estate: *Holmes v Godson* (1856) 8 De GM & G 152 at 159 et seq per Turner LJ.
3 *Green v Spicer* (1830) 1 Russ & M 395; *Piercy v Roberts* (1832) 1 My & K 4; *Snowdon v Dales* (1834) 6 Sim 524; *Younghusband v Gisborne* (1844) 1 Coll 400.
4 *Brandon v Robinson* (1811) 18 Ves 429; *Rochford v Hackman* (1852) 9 Hare 475; *Re Leach* [1912] 2 Ch 422; *Re Trusts of the Scientific Investment Pension Plan* [1999] Ch 53, [1998] 3 All ER 154 (where Rattee J said at 59 and 158 that the distinction between an interest on condition and a determinable interest was 'not a particularly attractive one, being based on form rather than substance'). See also para 737 ante.

(ii) Capital and Income

744. Receipts. The beneficiary for life of property held on trusts under which beneficiaries are entitled in succession is normally entitled to the income of the trust property, and thus to receipts of that character[1]. A beneficiary for life is generally entitled to casual profits accruing in respect of the trust property[2], but the terms of the Settled Land Act 1925 or of the trust may exclude this[3].

1 See generally SETTLEMENTS vol 42 (Reissue) para 944 et seq. As to realty see *Casamajor v Strode* (1809) 19 Ves 390n. It may be difficult to determine whether a receipt is of an income or capital nature particularly in relation to distributions by companies. As to the classification of receipts generally see *IRC v John Lewis Properties Ltd* [2002] EWCA Civ 1869 at [80] et seq, [2003] Ch 513 at [80] et seq per Dyson LJ. As to company distributions see *Hill v Permanent Trustee Company of New South Wales Ltd* [1930] AC 720, [1930] All ER Rep 87, PC (cash dividend from capital profits); *Irving v Houstoun* (1803) 4 Paton Sc App 521, HL; *Bouche v Sproule* (1885) 12 App Cas 385, HL (issue of bonus shares); *Re Malam, Malam v Hitchens* [1894] 3 Ch 578; *Re Atkinson, Barbers' Co v Grose-Smith* [1904] 2 Ch 160, CA; *IRC v Fisher's Executors* [1926] AC 395, HL; *Re Bates, Mountain v Bates* [1928] Ch 682, 97 LJ Ch 240 (cash dividend from capital profits); *IRC, Bengal v Mercantile Bank of India Ltd* [1936] AC 478, [1936] 2 All ER 857, PC; *Re Doughty, Burridge v Doughty* [1947] Ch 263, [1947] 1 All ER 207, CA; *Re Harrison's Will Trusts, Re Harrison's Settlement, Harrison v Milborne-Swinnerton-Pilkington* [1949] Ch 678; *Re Sechiari, Argenti v Sechiari* [1950] 1 All ER 417 (stock issue by way of capital profits dividend); *Re Duff's Settlements, National Provincial Bank Ltd v Gregson* [1951] Ch 923 [1951] 2 All ER 534, CA; *Re Kleinwort's Settlements, Westminster Bank Ltd v Bennett* [1951] Ch 860, [1951] 2 All ER 328; *Re Maclaren's Settlement Trusts, Royal Exchange Assurance v Maclaren* [1951] 2 All ER 414; *Re Winder's Will Trust, Westminster Bank Ltd v Fausset*

[1951] Ch 916, [1951] 2 All ER 362; *Re Rudd's Will Trusts, Wort v Rudd* [1952] 1 All ER 254, [1952] WN 49; *Re Outen's Will Trusts, Starling v Outen* [1963] Ch 291, [1962] 3 All ER 478; *Sinclair v Lee* [1993] Ch 497, sub nom *Re Lee, Sinclair v Lee* [1993] 3 All ER 926 (based on a narrow distinction from previously decided cases). See also *Capital and Income In Trusts: Classification and Apportionment* (Law Com no 175) (2004).

2 See *Brigstocke v Brigstocke* (1878) 8 ChD 357 at 363, CA; *Noble v Cass* (1828) 2 Sim 343; *Re Hunloke's Settled Estates, Fitzroy v Hunloke* [1902] 1 Ch 941 at 944; *Re Lacon's Settlement, Lacon v Lacon* [1911] 2 Ch 17, CA; *Re Dealtry, Davenport v Dealtry* (1913) 108 LT 832. However, as regards these decisions, see now the Settled Land Act 1925 ss 52(7), 80(1), (4)–(6); and SETTLEMENTS vol 42 (Reissue) paras 948–949. For illustrations of casual profits see SETTLEMENTS vol 42 (Reissue) para 944. With limited exceptions, it is no longer possible to create new settlements under the Settled Land Act 1925: see the Trusts of Land and Appointment of Trustees Act 1996 s 2; and para 601 note 6 ante. See also para 724 ante.

3 *Re Pyke, Birnstingl v Birnstingl* [1912] 1 Ch 770.

745. Income pending sale. Where a legal estate in land is settled land, then, subject to the terms of the disposition, the tenant for life is entitled to the net income[1], and the position is the same in the case of a trust of land[2]. If, however, where the disposition is a residuary bequest by will, personal property which is not itself an authorised investment within the terms of the trust is retained under a power to postpone sale pending conversion, the tenant for life is entitled, unless the trust disposition provides otherwise, only to interest at the current percentage rate on the value of the property, the actual income being apportioned[3]. An interest under a trust for sale of land will not pass under a gift of residuary personalty but under a gift of residuary realty[4].

1 See SETTLEMENTS vol 42 (Reissue) para 944. In the case of mining rents there is statutory provision for capitalisation of part: see the Settled Land Act 1925 s 47; and SETTLEMENTS vol 42 (Reissue) paras 843, 947. As to the payment of expenses of management out of income see s 102(3); and para 748 post. With limited exceptions, it is no longer possible to create new settlements under the Settled Land Act 1925: see the Trusts of Land and Appointment of Trustees Act 1996 s 2; and para 601 note 6 ante. See also para 724 ante.

2 This was laid down in relation to a trust for sale of land by the Law of Property Act 1925 s 28(2) (repealed) (see EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 541), which in effect made statutory the pre-existing law (see *Re Searle, Searle v Baker* [1900] 2 Ch 829 at 834; *Re Oliver, Wilson v Oliver* [1908] 2 Ch 74; *Re Woodhouse, Public Trustee v Woodhouse* [1941] Ch 332, [1941] 2 All ER 265). Despite the repeal of the Law of Property Act 1925 s 28(2) by the Trusts of Land and Appointment of Trustees Act 1996, it is thought that there is little doubt but that the life tenant is entitled to the net income. A trust for sale of land is now subsumed under a trust of land: see ss 1, 4, 5; para 605 note 5 ante; and REAL PROPERTY vol 39(2) (Reissue) para 66. For the meaning of 'trust of land' see para 605 note 5 ante.

3 See EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 540; SETTLEMENTS vol 42 (Reissue) para 945. This consequence flows from the principle known as the rule in *Howe v Earl of Dartmouth* (see *Howe v Earl of Dartmouth, Howe v Countess of Aylesbury* (1802) 7 Ves 137), which applies in practice whether or not there is a trust for conversion: see *Re Berry, Lloyds Bank Ltd v Berry* [1962] Ch 97 at 106, [1961] 1 All ER 529 at 535 per Pennycuick J. As to the current rate of interest see SETTLEMENTS vol 42 (Reissue) para 945. See also *Capital and Income In Trusts: Classification and Apportionment* (Law Com no 175) (2004).

4 See the Trusts of Land and Appointment of Trustees Act 1996 s 3; and REAL PROPERTY vol 39(2) (Reissue) para 77.

746. Reversionary and wasting property. On the principle that the donor intended all beneficiaries to whom he has given interests in succession by way of trusts to enjoy the whole trust property in succession[1], trustees are under a duty, subject to the terms of the trust instrument or of statute[2], to realise reversionary or future interests in personal estate for the sake of beneficiaries for life and to convert wasting personal property for the benefit of beneficiaries in remainder[3], and to lay out the proceeds realised in permanent investments[4]. Similarly, if reversionary interests in personalty fall in after the establishment of the trust, then, subject to the provisions of the trust

instrument, the sum received is apportionable between tenant for life and remaindermen[5]. This principle does not apply to real estate[6] or, it seems, where the property is settled by deed[7], but only to residuary bequests of personalty[8].

Except so far as they are expressly authorised or permitted by law or by the instrument creating the trusts[9], trustees cannot by their acts or conduct alter the rights and interests of successive beneficiaries in the capital and income of the trust property[10]. The creator of a trust may, however, evince by the trust instrument an intention that wasting property is to be enjoyed by a beneficiary for life in specie[11], for example by its being specifically designated[12], or by a discretionary power of sale being given to the trustee[13], or by a direction to sell or divide the property after the death of the beneficiary for life[14], or by making the consent of the tenant for life requisite both for conversion and the postponement of conversion[15]. In the absence of such an intention being indicated, it is presumed that wasting property is to be converted[16], but the inference of intention is much weaker, if it arises at all, in the case of an absolute gift with an executory limitation over[17].

1 See *Howe v Earl of Dartmouth, Howe v Countess of Aylesbury* (1802) 7 Ves 137 at 148 per Lord Eldon LC; and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 540. See also *Capital and Income In Trusts: Classification and Apportionment* (Law Com no 175) (2004).

2 See EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) paras 540–541.

3 *Howe v Earl of Dartmouth, Howe v Countess of Aylesbury* (1802) 7 Ves 137 at 148. See eg *Thornton v Ellis* (1852) 15 Beav 193; *Countess of Harrington v Atherton* (1864) 2 De GJ & Sm 352; *Tickner v Old* (1874) LR 18 Eq 422; *Porter v Baddeley* (1877) 5 ChD 542; and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) paras 540, 558; SETTLEMENTS vol 42 (Reissue) para 944 et seq. The principle does not after 31 December 1925 apply to leaseholds held on trust for sale: see EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 541. A trust for sale of land is now subsumed under a trust of land: see the Trusts of Land and Appointment of Trustees Act 1996 ss 1, 4, 5; and para 605 note 5 ante. As to leasehold property abroad see *Re Moses, Moses v Valentine* [1908] 2 Ch 235 (different rule of law prevailing by foreign law); and CONFLICT OF LAWS vol 8(3) (Reissue) para 456.

4 *Meyer v Simonsen* (1852) 5 De G & Sm 723 at 726 per Parker V-C.

5 See EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 545; SETTLEMENTS vol 42 (Reissue) para 946. See also *Re Hobson, Walter v Appach* (1885) 55 LJ Ch 422.

6 *Re Woodhouse, Public Trustee v Woodhouse* [1941] Ch 332, [1941] 2 All ER 265.

7 At any rate the principle does not apply where the deed contains no trust for conversion: *Re Van Straubenzee, Boustead v Cooper* [1901] 2 Ch 779; *Milford v Peile* (1854) 17 Beav 602; *Askew v Woodhead* (1880) 14 ChD 27, CA.

8 See EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 540; SETTLEMENTS vol 42 (Reissue) paras 945, 951.

9 See eg *Alcock v Sloper* (1833) 2 My & K 699; *Cockburn v Peel* (1861) 3 De GF & J 170 at 174 per Turner LJ; *Hume v Richardson* (1862) 4 De GF & J 29 at 32–33 per Turner LJ; *Re Sewell's Estate* (1870) LR 11 Eq 80; *Thursby v Thursby* (1875) LR 19 Eq 395; *Gray v Siggers* (1880) 15 ChD 74; *Re Sheldon, Nixon v Sheldon* (1888) 39 ChD 50; *Re Thomas, Wood v Thomas* [1891] 3 Ch 482; *Re Crowther, Midgley v Crowther* [1895] 2 Ch 56; *Re Pitcairn, Brandreth v Colvin* [1896] 2 Ch 199; *Re Godfree, Godfree v Godfree* [1914] 2 Ch 110; *Re Pennington, Pennington v Pennington* [1914] 1 Ch 203, CA.

10 *Walker v Shore* (1815) 19 Ves 387 at 392; *Caldecott v Caldecott* (1842) 1 Y & C Ch Cas 737; *Morgan v Morgan* (1851) 14 Beav 72; *Wilkinson v Duncan* (1857) 23 Beav 469; *Re Llewellyn's Trusts* (1861) 29 Beav 171; *Wright v Lambert* (1877) 6 ChD 649.

11 See eg *Lord v Godfrey* (1819) 4 Madd 455; *Pickering v Pickering* (1839) 4 My & Cr 289; *Goodenough v Tremamondo* (1840) 2 Beav 512; *Harvey v Harvey* (1842) 5 Beav 134; *Cockran v Cockran* (1844) 14 Sim 248; *Hunt v Scott* (1847) 1 De G & Sm 219; *Milne v Parker* (1848) 12 Jur 171; *Howe v Howe* (1849) 14 Jur 359; *Harris v Poyner* (1852) 1 Drew 174; *Hind v Selby* (1856) 22 Beav 373; *Simpson v Lester* (1858) 4 Jur NS 1269; *Re Pfleger* (1868) LR 6 Eq 426; *Lean v Lean* (1875) 23 WR 484; *Re Chancellor, Chancellor v Brown* (1884) 26 ChD 42, CA; *Re Bland, Miller v Bland* [1899] 2 Ch 336; *Re Bentham, Pearce v Bentham* (1906) 94 LT 307; *Re Bates, Hodgson v Bates* [1907] 1 Ch 22; *Re Wilson, Moore v Wilson* [1907] 1 Ch 394; *Re North, Garton v Cumberland* [1909] 1 Ch 625; *Re Nicholson, Eade v Nicholson* [1909] 2 Ch 111; *Re Elford, Elford v Elford* [1910] 1 Ch 814; *Re Inman, Inman v Inman* [1915] 1 Ch 187 (effect of a power to postpone conversion considered); *Re Gough, Phillips v Simpson* [1957] Ch 323, [1957] 2 All ER 193. Cf *Re Slater, Slater v Jonas* (1915) 85 LJ Ch 432 (farming business bequeathed upon trust for sale with a power to postpone).

12 *Bethune v Kennedy* (1835) 1 My & Cr 114; *D'Aglie v Fryer* (1841) 12 Sim 1; *Phillips v Sarjent* (1848) 7 Hare 33; *Re Beaufoy's Estate* (1852) 1 Sm & G 20; *Howard v Kay* (1858) 27 LJ Ch 448; *Re Money's Trusts* (1862) 2 Drew & Sm 94; *Wilday v Sandys* (1869) LR 7 Eq 455; *Re Van Straubenzee, Boustead v Cooper* [1901] 2 Ch 779 at 782 per Cozens-Hardy J; *Stanier v Hodgkinson* (1903) 73 LJ Ch 179. Abstention from conversion is required where the property in its actual state is specifically settled in trust (*Collins v Collins* (1833) 2 My & K 703; *Daniel v Warren* (1843) 2 Y & C Ch Cas 290; *Hinves v Hinves* (1844) 3 Hare 609) or specific directions are given as to its income (*Goodenough v Tremamondo* (1840) 2 Beav 512; *Cafe v Bent* (1845) 5 Hare 24; *Neville v Fortescue* (1848) 16 Sim 333; *Vachell v Roberts* (1863) 32 Beav 140; *Re Chancellor, Chancellor v Brown* (1884) 26 ChD 42, CA; *Re Sherry, Sherry v Sherry* [1913] 2 Ch 508). See also EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 541.

13 *Re Leonard, Theobald v King* (1880) 29 WR 234; *Re Sherry, Sherry v Sherry* [1913] 2 Ch 508.

14 *Alcock v Sloper* (1833) 2 My & K 699; *Holgate v Jennings* (1857) 24 Beav 623; *Re Barratt, National Provincial Bank Ltd v Barratt* [1925] Ch 550. Cf, however, *Re Evans' Will Trusts, Pickering v Evans* [1921] 2 Ch 309.

15 *Re Rogers, Public Trustee v Rogers* [1915] 2 Ch 437.

16 See eg *Benn v Dixon* (1840) 10 Sim 636; *Sutherland v Cooke* (1844) 1 Coll 498; *Chambers v Chambers* (1846) 15 Sim 183; *Prendergast v Prendergast* (1850) 3 HL Cas 195 at 218–219 per Lord Brougham; *Hood v Clapham* (1854) 19 Beav 90; *Craig v Wheeler* (1860) 29 LJ Ch 374; *Re Shaw's Trusts* (1871) LR 12 Eq 124; *Macdonald v Irvine* (1878) 8 ChD 101, CA; *Re Game, Game v Young* [1897] 1 Ch 881; *Re Wareham, Wareham v Brewin* [1912] 2 Ch 312, CA. See further EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) paras 540–541. The use of the word 'rents' does not rebut the presumption as to leaseholds where there are also freeholds: *Re Game, Game v Young* supra; *Re Wareham, Wareham v Brewin* supra. The presumption does not apply after 31 December 1925 to leaseholds held on trust for sale: see note 3 supra; and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 541.

17 *Re Bland, Miller v Bland* [1899] 2 Ch 336; *Re Hammersley, Heasman v Hammersley* (1899) 81 LT 150.

747. Annuities and contingent legacies. Where an annuity for a term of years forms part of a residue bequeathed in trust and cannot conveniently be sold, the instalments of it until sale form part of the capital of the trust property and must be invested, the interest of the investments being payable to the tenant for life[1]. However, as between the beneficiaries for life and in remainder under the will of a testator who has covenanted to pay an annuity, the sums paid and to be paid to the annuitants are apportionable between capital and income[2]. Where funds set apart under the will of a testator to answer contingent legacies and a discretionary annuity given by that will form part of the settled residue of another testator, then, as between the tenant for life and remaindermen under the will of the second testator, the income of the legacy fund is to be treated as a terminable annuity and goes to residue as capital, while the surplus income of the annuity fund goes to residue as income[3].

Where contingent legacies are given by a will[4], and where annuities are not payable until after the death of a named person[5], the income of the fund set aside to answer the legacies or annuities, if falling into residue, is to be treated as income and not as capital[6].

1 *Crawley v Crawley* (1835) 7 Sim 427; *Re Whitehead, Peacock v Lucas* [1894] 1 Ch 678. See also *Re Hey's Settlement Trusts, Hey v Nickell-Lean* [1945] Ch 294, [1945] 1 All ER 618 (annual payments received by the testator's estate from property not forming part of his estate treated as analogous to terminable annuities and the instalments held to be capital); *Re Guinness's Settlement, Guinness v SG Warburg (Executor and Trustee) Ltd* [1966] 2 All ER 497, [1966] 1 WLR 1355. In the last two cases it was held that prima facie the equitable rule of apportionment in *Re Earl of Chesterfield's Trusts* (1883) 24 ChD 643 (see SETTLEMENTS vol 42 (Reissue) para 946) should apply; and it is difficult to see why it should not also apply to the first two cited cases. See also *Capital and Income In Trusts: Classification and Apportionment* (Law Com no 175) (2004).

2 *Re Dawson, Arathoon v Dawson* [1906] 2 Ch 211; *Re Perkins, Brown v Perkins* [1907] 2 Ch 596; *Re Poyser, Landon v Poyser* [1910] 2 Ch 444; *Re Earl of Berkeley, Inglis v Countess of Berkeley* [1968] Ch 744, [1968] 3 All ER 364, CA. See further EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 539; RENTCHARGES AND ANNUITIES vol 39(2) (Reissue) para 830.

3 *Re Whitehead, Peacock v Lucas* [1894] 1 Ch 678.

4 *Allhusen v Whittell* (1867) LR 4 Eq 295.

5 *Cranley v Dixon* (1857) 23 Beav 512.

6 *Cranley v Dixon* (1857) 23 Beav 512; *Allhusen v Whittell* (1867) LR 4 Eq 295 at 303–304.

748. Outgoings and expenses. Subject to the provisions of the trust instrument in any particular case and, as regards land, to statutory provisions[1], where property is held in trust for persons entitled in succession the general principle is that income must bear all ordinary outgoings of a recurrent nature, such as rates and taxes and interest on charges and incumbrances[2]. Capital must bear all costs, charges and expenses incurred for the benefit of the whole estate[3].

Expenses to be charged to income have been held to include losses in a trade or business properly carried on under the trust[4], and the expenses of proceedings relating exclusively to income[5].

Expenses to be charged to capital have been held to include:

(1) all costs, charges and expenses of and incidental to the administration and protection of the estate[6], including the costs of obtaining legal advice[7] and, except where the proceedings relate exclusively to income[8], of legal proceedings[9], and the costs of and incidental to the appointment of new trustees[10] and of making or changing investments[11]; and

(2) satisfaction of the capital element of all charges and incumbrances on the property[12], including calls on shares[13].

The incidence of premiums on an insurance policy forming part of the trust estate will be decided by applying the general principle; if the premiums are paid for the benefit of the whole estate they are properly paid out of capital[14].

1 See the Settled Land Act 1925 s 102(3), (6); and SETTLEMENTS vol 42 (Reissue) paras 665–666.

2 *Shore v Shore* (1859) 4 Drew 501; *Bosanquet v Allen, Carver v Duncan* [1985] AC 1082 at 1120, [1985] 2 All ER 645 at 652, HL, per Lord Templeman. See also SETTLEMENTS vol 42 (Reissue) para 961 et seq; Underhill and Hayton *Law relating to Trusts and Trustees* (17th Edn, 2007) p 694 et seq; *Capital and Income In Trusts: Classification and Apportionment* (Law Com no 175) (2004). As to the view of Her Majesty's Revenue and Customs on capital and income under trust law see HMRC Guidance *Trust Management Expenses* (31 January 2006).

3 *Re Bennett, Jones v Bennett* [1896] 1 Ch 778; *Bosanquet v Allen, Carver v Duncan* [1985] AC 1082 at 1120, [1985] 2 All ER 645 at 652, HL, per Lord Templeman. See also note 2 supra.

4 *Upton v Brown* (1884) 26 ChD 588. An exception exists where it has been the practice of the particular trade or business to charge losses against capital: *Gow v Forster* (1884) 26 ChD 672. As to when a trade or business ought to be disposed of and is carried on temporarily until it can be sold advantageously see *Re Hengler, Frowde v Hengler* [1893] 1 Ch 586.

5 See the text and note 8 infra.

6 *Lord Brougham v Lord Poulett* (1855) 19 Beav 119; *Sanders v Miller* (1858) 25 Beav 154; *Re Earl De la Warr's Estates* (1881) 16 ChD 587; *Stott v Milne* (1884) 25 ChD 710, CA; *Re Weall, Andrews v Weall* (1889) 42 ChD 674 at 680–681. As to expenses of the Public Trustee see paras 790–791 post.

7 *Poole v Pass* (1839) 1 Beav 600 at 604–605.

8 *Re — (a lunatic)* (1860) 8 WR 333; *Re Marner's Trusts* (1866) LR 3 Eq 432; *Re Whitton's Trusts* (1869) LR 8 Eq 352; *Re Smith's Trusts* (1870) LR 9 Eq 374; *Re Evans' Trusts* (1872) 7 Ch App 609; *Re T—* (1880) 15 ChD 78 at 79. The costs of a petition for payment of income presented in an administration action have been held payable in some cases out of capital (*Scrivener v Smith* (1869) LR 8 Eq 310; *Lonquet v Hockley* (1870) 22 LT 198), and in one case out of income (*Eady v Watson* (1864) 12 WR 682).

9 *Re Elmore's Will Trusts* (1860) 9 WR 66 at 67; *Re Turnley* (1866) 1 Ch App 152; *Re Whitton's Trusts* (1869) LR 8 Eq 352; *Re Earl of Berkeley's Will, Re Gloucester and Berkeley Canal Act 1870* (1874) 10 Ch App 56; *Re Leslie's Settlement Trusts* (1876) 2 ChD 185 at 190; *Stott v Milne* (1884) 25 ChD 710, CA; *More v More* (1889) 37 WR 414; *Hamilton v Tighe* [1898] 1 IR 123. Where proceedings are designed to define and secure the personal rights of the trustees as individuals, the general rule that trustees are entitled to their costs on an indemnity basis does not apply: *Re Dargie, Miller v Thornton-Jones* [1954] Ch 16, [1953] 2 All ER 577. Cf *Poole v Pass* (1839) 1 Beav 600. For the rights of trustees as to costs generally see para 906 et seq post.

10 See para 818 post.

11 The costs may in an exceptional case be charged on income: *Equitable Reversionary Interest Society v Fuller* (1861) 1 John & H 379 at 383.

12 *Faulkner v Daniel* (1843) 3 Hare 199 at 217; *Burrell v Earl of Egremont* (1844) 7 Beav 205; *Pitt v Pitt* (1856) 22 Beav 294; *Allhusen v Whittell* (1867) LR 4 Eq 295; *Tewart v Lawson* (1874) LR 18 Eq 490; *Norton v Johnstone* (1885) 30 ChD 649. The tendency of the court to fix capital charges on capital is further

illustrated by *Re Brandon, Samuels v Brandon* (1932) 49 TLR 48, where the incumbrancer had prevented the payment of the incumbrance by the special method (in fact, accumulation of income) directed by the testator, and it was held, applying *Tewart v Lawson* supra and *Norton v Johnstone* supra, that the testator's direction did not entitle the persons who would have benefited by the direction, had it been effective, to be recouped for the money expended out of capital.

13 *Todd v Moorhouse* (1874) LR 19 Eq 69.

14 *Bosanquet v Allen, Carver v Duncan* [1985] AC 1082 at 1120, [1985] 2 All ER 645 at 652, HL, per Lord Templeman (where doubt was expressed as to whether premiums on gift protection policies are properly classifiable as expenses; the alternative would be to treat them as distributions). See also *Macdonald v Irvine* (1878) 8 ChD 101, CA; *Re Morley, Morley v Haig* [1895] 2 Ch 738; *Re Sherry, Sherry v Sherry* [1913] 2 Ch 508; cf *Re Waugh's Trusts* (1877) 25 WR 555.

(6) TERMINATION OF THE TRUST

749. Transfer of trust property. When a trust has terminated, the persons who have become absolutely entitled to the trust property may require the trustee to transfer it to them at their expense[1], on furnishing to him clear proof that his duties and responsibilities are at an end[2].

1 *Taylor v Glanville* (1818) 3 Madd 176; *Knight v Martin* (1829) 1 Russ & M 70; *Willis v Hiscox* (1839) 4 My & Cr 197; *Poole v Pass* (1839) 1 Beav 600; *Saunders v Vautier* (1841) Cr & Ph 240; *Holford v Phipps* (1841) 3 Beav 434; *Re Knight's Trusts* (1859) 27 Beav 45. As to the effect of a provision empowering trustees to pay a beneficiary before he attains the age of majority see *Re Somech, Westminster Bank Ltd v Phillips* [1957] Ch 165, [1956] 3 All ER 523; and CHILDREN AND YOUNG PERSONS vol 5(3) (Reissue) para 40.

2 *Holford v Phipps* (1841) 3 Beav 434 at 440–441 per Lord Langdale MR; *Warter v Anderson* (1853) 11 Hare 301 at 303 per Wood V-C. If, in spite of adequate proof, the trustee refuses to make the transfer, he is liable to be ordered to pay the costs of any proceedings rendered necessary thereby: *Jones v Lewis* (1786) 1 Cox Eq Cas 199; *Willis v Hiscox* (1839) 4 My & Cr 197; *Thorby v Yeats* (1842) 1 Y & C Ch Cas 438; *Re Cater's Trusts (No 2)* (1858) 25 Beav 366 at 367. The fact of his having acted under the advice of counsel is not an absolute protection to him in such a case: *Devey v Thornton* (1851) 9 Hare 222 at 232 per Turner V-C. If there are very special circumstances, the court may decline to order the transfer of the trust property: *Re Sandeman's Will Trusts, Sandeman v Hayne* [1937] 1 All ER 368 at 373. As to the trustee's duty to hand over the trust property to the right persons see para 956 post; and as to the trustee's duty to act impartially between beneficiaries see para 951 post.

750. Termination of trusts by beneficiaries. Where all the actual or possible beneficiaries are in existence and sui juris[1], they may together put an end to the trust in whole or in part or discharge a trustee from it[2]. This right exists notwithstanding an intervening discretionary trust, if the sole objects of that trust are sui juris and concur[3]. Again, where there is a gift of an annuity, the annuitant is entitled to demand in lieu payment of the cash which would be needed to purchase it[4]. The beneficiaries cannot, however, at one and the same time override the pre-existing trusts and keep them in existence[5]. The beneficiary must be entitled to require the trustee to assign to him the subject matter of the trust. If the trust cannot be determined because the trustee has outstanding obligations and has no power to transfer the trust asset to the beneficiary or his order, the rule does not apply[6]. A trustee cannot by an act of his own, without communication with his beneficiary, divest himself of the character of trustee until he has performed his trust[7].

The general principle applies in the same way where the beneficiary is a charity, whether corporate or incorporate[8], but not where the alleged beneficiary is 'charity' in the abstract, there being provisions for the future ascertainment of particular charitable institutions[9]. Although an indefinite gift of income to an individual carries the right to corpus[10], this is not so in the case of a similar gift to charity, since such a gift could be enjoyed by the charity to its fullest extent in perpetuity[11].

1 The principle has been held to apply not only to joint tenants and tenants in common but also to the certificate holders under a unit trust (*Re AEG Unit Trust (Managers) Ltd's Deed, Midland Bank Executor and*

Trustee Co Ltd v AEG Unit Trust (Managers) Ltd [1957] Ch 415 at 422, [1957] 2 All ER 506 at 509 per Wynn-Parry J) and cases where the beneficiaries are entitled in succession (*Anson v Potter* (1879) 13 ChD 141; *Re White, White v Edmond* [1901] 1 Ch 570). As to the possibility of child-bearing preventing effective direction being given by the beneficiaries to the trustees cf *Re Whichelow, Bradshaw v Orpen* [1953] 2 All ER 1558, [1954] 1 WLR 5. See also *Figg v Clarke (Inspector of Taxes)* [1997] 1 WLR 603, [1997] STC 247, where the court refused to take account of incapacity to father future children in determining when beneficiaries became absolutely entitled.

2 *Wilkinson v Parry* (1828) 4 Russ 272 at 276 per Leach MR; *Saunders v Vautier* (1841) Cr & Ph 240; *King v Mullins* (1852) 1 Drew 308; *Gosling v Gosling* (1859) John 265; *Anson v Potter* (1879) 13 ChD 141; *Re Coleman, Henry v Strong* (1888) 39 ChD 443, CA; *Re Johnston, Mills v Johnston* [1894] 3 Ch 204; *Wharton v Masterman* [1895] AC 186, HL; *Re Bowden, Hulbert v Bowden* [1936] Ch 71; *IRC v Hamilton-Russell's Executors* [1943] 1 All ER 474, CA; *Stephenson v Barclays Bank Trust Co Ltd* [1975] 1 All ER 625 at 637, [1975] 1 WLR 882 at 889. See also para 736 note 3 ante. Where a trustee is called upon to part with the trust property on the ground that the beneficiary has put an end to the trust, he is entitled to clear evidence of the fact that the trust is at an end, including the production of any deed or document which has effected that result, and he is entitled to his costs of legal proceedings instituted to compel him to part with the trust property, where sufficient evidence of the termination of the trust has not been previously produced to him: *Holford v Phipps* (1841) 3 Beav 434. The existence of this power of terminating the trust may render valid a disposition which would otherwise transgress the rule against perpetuities: see PERPETUITIES AND ACCUMULATIONS vol 35 (Reissue) para 1052. As to the time until which a trust for the sale of land is deemed to subsist for the protection of a purchaser see SETTLEMENTS vol 42 (Reissue) para 708. A trust for sale of land is now subsumed under a trust of land: see the Trusts of Land and Appointment of Trustees Act 1996 ss 1, 4, 5; and para 605 note 5 ante.

3 *Re Smith, Public Trustee v Aspinall* [1928] Ch 915.

4 *Re Robbins, Robbins v Legge* [1907] 2 Ch 8, CA; cf *Parkes v Royal Botanic Society of London* (1908) 24 TLR 508. As to the valuation of the annuity see *Re Castle, Nesbitt v Baugh* [1916] WN 195; *Westminster Bank Ltd v IRC* [1954] 1 All ER 240, [1954] 1 WLR 242; and RENTCHARGES AND ANNUITIES vol 39(2) (Reissue) para 801.

5 *Stephenson (Inspector of Taxes) v Barclays Bank Trust Co Ltd* [1975] 1 All ER 625 at 637, [1975] 1 WLR 882 at 889 per Walton J. See also *Re Brockbank, Ward v Bates* [1948] Ch 206 at 209, [1948] 1 All ER 287 at 288, where Vaisey J refused to direct the transfer of the trust fund to trustees of the beneficiaries' choice; the beneficiaries must either keep the trusts of the will on foot or by mutual agreement extinguish and put an end to the trusts. Beneficiaries do now have the power to require the retirement and appointment of trustees under the Trusts of Land and Appointment of Trustees Act 1996 s 19 (see para 897 post).

6 *Don King Productions Inc v Warren* [1998] 2 All ER 608 at 634, [1999] 3 WLR 276 at 303–304 per Lightman J; affd [2000] Ch 291, [1999] 2 All ER 218, CA.

7 *Chalmer v Bradley* (1819) 1 Jac & W 51 at 68 per Plumer MR. If, however, a beneficiary sui juris and absolutely entitled (or two or more beneficiaries together so entitled) refused to accept a transfer of the trust funds, the trustees would be entitled, if they wished, to pay them into court: *IRC v Hamilton-Russell's Executors* [1943] 1 All ER 474, CA.

8 *Wharton v Masterman* [1895] AC 186, HL.

9 *Re Jefferies, Finch v Martin* [1936] 2 All ER 626.

10 *Re Levy, Barclays Bank Ltd v Board of Guardians and Trustees for the Relief of the Jewish Poor* [1960] Ch 346, [1960] 1 All ER 42, CA.

11 *Re Levy, Barclays Bank Ltd v Board of Guardians and Trustees for the Relief of the Jewish Poor* [1960] Ch 346, [1960] 1 All ER 42, CA. See also *Re Beesty's Will Trusts, Farrar v Royal Alfred Merchant Seamen's Society* [1966] Ch 223, [1964] 3 All ER 82 (terms of the gift were held not to be limited to income only).

751. Termination of discretionary trusts by objects of trusts. Where two or more persons together are the sole objects of a discretionary trust and between them are entitled to have the whole fund applied for their benefit, they are to be treated as if they together formed one person and accordingly are entitled to have the fund or its income, as the case may be, handed over to them[1].

1 *Re Nelson, Norris v Nelson* [1928] Ch 920n, CA; *Re Smith, Public Trustee v Aspinall* [1928] Ch 915; cf *Re Daw, Binney v Daw* (1917) 87 LJ Ch 441; *Re WDJ* [1934] Ch 174 at 182, CA; *Re Beckett's Settlement, Re Beckett, Eden v Von Stutterheim* [1940] Ch 279. See also *Re Chance's Settlement Trusts, Chance v Billing* (1918) 62 Sol Jo 349; *Thorn v IRC* [1976] 2 All ER 622 at 631, [1976] 1 WLR 915 at 921–922.

752. Partial termination of trusts by one of two or more beneficiaries. One of several beneficiaries, being sui juris and absolutely and indefeasibly entitled in

possession to a share in the trust property, can generally require a transfer of that share to him[1]. So far as personalty is concerned, the rule will normally be applied, even though the undistributed shares may as a result lose value; but in very special circumstances, where it would unduly prejudice the other beneficiaries, such a beneficiary may be unable to insist on a transfer[2]. Where, however, real estate[3] was devised on trust for sale and to divide the proceeds between A, B, C and D, A has no right to require the transfer to him of his undivided share of the real estate since to allow that undivided share to be so taken by A would be detrimental to the other beneficiaries[4]. It is thought that this principle would be equally applicable to a trust of land under the Trusts of Land and Appointment of Trustees Act 1996[5].

1 *Re Marshall, Marshall v Marshall* [1914] 1 Ch 192 at 199, CA; *Stephenson (Inspector of Taxes) v Barclays Bank Trust Co Ltd* [1975] 1 All ER 625 at 637, [1975] 1 WLR 882 at 889 per Walton J; *Crowe v Appleby (Inspector of Taxes)* [1975] 3 All ER 529, [1975] 1 WLR 1539 (affd without reference to this point [1976] 2 All ER 914, [1976] 1 WLR 885, CA).

2 *Re Sandeman's Will Trusts, Sandeman v Hayne* [1937] 1 All ER 368; *Re Weiner's Will Trusts, Wyner v Braithwaite* [1956] 2 All ER 482, [1956] 1 WLR 579; *Stephenson (Inspector of Taxes) v Barclays Bank Trust Co Ltd* [1975] 1 All ER 625 at 637, [1975] 1 WLR 882 at 889 per Walton J. See also *Lloyds Bank plc v Duker* [1987] 3 All ER 193, [1987] 1 WLR 1324, where the court refused to order a transfer of private company shares because it would have adversely affected the other beneficiaries.

3 The principle may also apply to a case of a mortgage debt which cannot be conveniently split into shares: see *Re Marshall, Marshall v Marshall* [1914] 1 Ch 192 at 199, CA.

4 *Re Marshall, Marshall v Marshall* [1914] 1 Ch 192 at 199, CA; *Re Horsnaill, Womersley v Horsnaill* [1909] 1 Ch 631; *Re Kipping, Kipping v Kipping* [1914] 1 Ch 62, CA. Quaere whether in a suitable case an appropriation could be required: see *Re Weiner's Will Trusts, Wyner v Braithwaite* [1956] 2 All ER 482 at 484–485, [1956] 1 WLR 579 at 582–583 per Harman J. A trust for sale of land is now subsumed under a trust of land: see the Trusts of Land and Appointment of Trustees Act 1996 ss 1, 4, 5; and para 605 note 5 ante.

5 An application could be made to the court under ibid s 14: see REAL PROPERTY vol 39(2) (Reissue) para 67. See also the power to partition under s 7 (as amended); and REAL PROPERTY vol 39(2) (Reissue) para 223.

753. Record of termination. A trustee should preserve a record of the termination of the trust, in order to preclude the possibility of a question being subsequently raised as to whether it has in fact taken place[1].

1 *Payne v Evens* (1874) LR 18 Eq 356 at 367. As to the right of a trustee to a release on the termination of a trust see para 925 post.

2. TRUSTEES

(1) KINDS OF TRUSTEES

(i) In general

754. Different kinds of trustees. Individuals may be trustees, as may corporate bodies if they have by their constitution power so to act[1]. Special kinds of trustees include: trustees in bankruptcy[2]; trustees for the purposes of the Settled Land Act 1925[3] and tenants for life and statutory owners in whom settled land is vested[4]; and trustees of land[5]. In a different category are included judicial trustees[6] and the Public Trustee[7]. The Public Trustee or other body corporate empowered to undertake trusts may be appointed custodian trustee with functions limited to custody of the trust property and documents while other trustees manage the property[8]. Public bodies may become trustees as a result of an enactment[9]. In a loose sense a legal personal representative is, owing to his fiduciary duties, a trustee for the creditors and beneficiaries claiming under the deceased while he is acting as personal representative and before he has completed his functions as such and become a trustee in the strict sense[10]. Moreover, a person who has contracted to sell real property to a purchaser is in a sense a trustee of it for the purchaser[11].

A person who, not being a trustee and without authority, intermeddles in trust matters makes himself a constructive trustee or trustee de son tort[12].

1 As to who may be trustees see para 609 ante. As to the special powers of trust corporations and their remuneration see para 799 et seq post. For the meaning of 'trust corporation' see para 798 post.
2 See BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 316 et seq.
3 See SETTLEMENTS vol 42 (Reissue) para 750 et seq. With limited exceptions, it is no longer possible to create new settlements under the Settled Land Act 1925: see the Trusts of Land and Appointment of Trustees Act 1996 s 2; and para 601 note 6 ante. See also para 724 ante.
4 See SETTLEMENTS vol 42 (Reissue) paras 609, 688 et seq. See also note 3 supra.
5 See SETTLEMENTS vol 42 (Reissue) para 900 et seq. For the meaning of 'trustees of land' see para 724 note 7 ante.
6 See para 757 et seq post.
7 See para 766 et seq post.
8 As to custodian trustees see para 792 et seq post.
9 See e g the Solicitors Act 1974 s 35, Sch 1 Pt 2 para 6 (as amended); and SOLICITORS vol 44(1) (Reissue) para 484. As to the nature of the trustee's limited obligations under trusts imposed by statute in the context of the exercise of a public function see *Re Ahmed & Co (a firm)* [2006] EWHC 480 (Ch), [2006] All ER (D) 195 (Mar); and see para 624 note 1 ante.
10 See para 602 ante.
11 As to this relationship see para 620 ante.
12 As to constructive trustees and trustees de son tort see para 687 et seq ante.

755. Meaning of 'bare trustee'. The meaning of 'bare trustee' varies according to context[1]. A bare trustee has been defined as a person who holds property in trust for the absolute benefit and at the absolute disposal of other persons who are of full age and sui juris in respect of it, and who has himself no present beneficial interest in it and no duties to perform in respect of it except to convey or transfer it to persons entitled to hold it, and he is bound to convey or transfer the property accordingly when required to do so[2]. 'Bare trustee' has been given an extended meaning in certain tax statutes[3].

1 *Christie v Ovington* (1875) 1 ChD 279; *Morgan v Swansea Urban Sanitary Authority* (1878) 9 ChD 582.
2 *Christie v Ovington* (1875) 1 ChD 279; *Morgan v Swansea Urban Sanitary Authority* (1878) 9 ChD 582; *Re Docura, Docura v Faith* (1885) 29 ChD 693; *Re Cunningham and Frayling* [1891] 2 Ch 567 at 571–572 per Stirling J; *Re Blandy Jenkins' Estate, Blandy Jenkins v Walker* [1917] 1 Ch 46 (where the earlier authorities were reviewed); *Schalit v Joseph Nadler Ltd* [1933] 2 KB 79, DC. A bare trustee may originally have had

duties in respect of the property which have since ceased (*Christie v Ovington* supra at 281 per Hall V-C) or which have been superseded by a request from the persons entitled to the property to convey it to them (*Morgan v Swansea Urban Sanitary Authority* supra at 585 per Jessel MR). A person who has himself an existing beneficial interest of any kind in the trust property is in no circumstances a bare trustee of it: *Lysaght v Edwards* (1876) 2 ChD 499 at 506 per Jessel MR. Trustees for sale, after selling the property under a court order to a purchaser who has paid the purchase money into court, are bare trustees of it notwithstanding that they have a beneficial interest in the proceeds of sale, since their beneficial interest in the property itself has ceased and they have no duty to perform in respect of it except to convey it to the purchaser: *Re Docura, Docura v Faith* supra. As to bare trustees and breach of trust see para 1087 post.

3 See eg the Income and Corporation Taxes Act 1988 s 752C(7) (as added) (see INCOME TAXATION vol 23(2) (Reissue) para 1319); and the Taxation of Chargeable Gains Act 1992 s 60(1) (as amended) (see CAPITAL GAINS TAXATION vol 5(1) (2004 Reissue) para 112).

756. Limited power of bare trustee. Without the beneficiary's agreement a bare trustee may not settle an account on behalf of the beneficiary[1] and may not present a bankruptcy petition against a person who owes a debt to him as a bare trustee[2].

It may well be that if a fiduciary, such as a solicitor to a trust, seeks to retain a profit made by virtue of his fiduciary position, he will need to prove that he had the informed consent of the beneficiaries under the bare trust, and that the consent of the bare trustees will be insufficient[3].

1 *Fell v Lutwidge* (1740) Barn Ch 319 at 321 per Lord Hardwicke LC.
2 *Re Adams, ex p Culley* (1878) 9 ChD 307, CA; *Re Hastings, ex p Dearle* (1884) 14 QBD 184, CA; cf *Re Steel Wing Co Ltd* [1921] 1 Ch 349.
3 *Boardman v Phipps* [1967] 2 AC 46 at 104, [1966] 3 All ER 721 at 744, HL, per Lord Cohen.

(ii) Judicial Trustees

A. IN GENERAL

757. Jurisdiction with regard to judicial trustees. The Chancery Division of the High Court[1] exercises jurisdiction under the statutory provisions[2] and rules[3] relating to judicial trustees[4].

1 See the Supreme Court Act 1981 s 61(1), Sch 1 para 1(c); and para 632 ante. See also para 643 ante. As from a day to be appointed, the Supreme Court Act 1981 is renamed the Senior Courts Act 1981 by the Constitutional Reform Act 2005 s 59(5), Sch 11 para 1(1) (not yet in force): see para 632 note 1 ante; and COURTS. At the date at which this volume states the law no such day had been appointed.
2 Ie the Judicial Trustees Act 1896.
3 Ie the Judicial Trustee Rules 1983, SI 1983/370: see para 758 et seq post.
4 See the Judicial Trustees Act 1896 s 2 (amended by the Courts Act 1971 s 56(4), Sch 11 Pt II).

758. Power to make rules. Rules may be made for carrying the Judicial Trustees Act 1896 into effect[1] and especially:

(1) for requiring judicial trustees, who are not officials of the court[2], to give security for the due application of any trust property under their control[3];
(2) respecting the safety of the trust property and the custody of it[4];
(3) respecting the remuneration of judicial trustees and for fixing and regulating the fees to be taken so as to cover the expenses of the administration of the Judicial Trustees Act 1896 and respecting the payment of such remuneration and fees out of the trust property and, where the judicial trustee is an official of the court, respecting the application of the remuneration and fees payable to him[5];
(4) for dispensing with formal proof of facts in proper cases[6];
(5) for facilitating the discharge by the court of administrative duties under the Judicial Trustees Act 1896 without prejudicial proceedings and otherwise regulating procedure under that Act and making it simple and inexpensive[7];

(6) for assigning jurisdiction under the Judicial Trustees Act 1896 to county court judges and defining such jurisdiction[8];
(7) respecting the suspension or removal of any judicial trustee and the succession of another person to the office of any judicial trustee who may cease to hold office, and the vesting in that person of any trust property[9];
(8) respecting the classes of trusts in which officials of the court are not to be judicial trustees or are to be so temporarily or conditionally[10];
(9) respecting the procedure to be followed where the judicial trustee is executor or administrator[11];
(10) for preventing the employment by judicial trustees of other persons at the expense of the trust, except in cases of strict necessity[12];
(11) for the preparation, auditing (by the court or otherwise) and filing of the accounts of any trust of which a judicial trustee has been appointed[13]; and
(12) for the making of a report to the court on the accounts of any such trust[14].

1 See the Judicial Trustees Act 1896 s 4(1). Rules under the Judicial Trustees Act 1896 may make different provision for different classes of trust, trustees, beneficiaries or trust property: s 4(1A) (added by the Administration of Justice Act 1982 s 57(3)). The rules may be made subject to the consent of the Treasury in matters relating to fees and to salaries and numbers of officers and to the consent of the authority for making orders under the Solicitors Act 1974 in matters relating to the remuneration of solicitors: see the Judicial Trustees Act 1896 s 4(2) (amended by the Statute Law (Repeals) Act 1986); and the Interpretation Act 1978 s 17(2)(a). The rules must be laid before each House of Parliament and are subject to annulment in pursuance of a resolution of either House within 40 days: see the Judicial Trustees Act 1896 s 4(2) (as so amended); the Statutory Instruments Act 1946 ss 4(3), 5(1), (2); and STATUTES vol 44(1) (Reissue) para 1516. As to the rules that have been made see the Judicial Trustee Rules 1983, SI 1983/370; and para 759 et seq post. As to the Lord Chancellor see CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) para 477 et seq. As to the Treasury see CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) paras 512–517.
2 For the purposes of the Judicial Trustees Act 1896, 'official of the court' means the holder of such paid office in or connected with the court as may be prescribed by rules under that Act: s 5. For the purposes of the Judicial Trustee Rules 1983, SI 1983/370, 'official of the court' means the holder of any paid office in or connected with the Supreme Court and includes the Official Solicitor to the Supreme Court: r 2(1). As from a day to be appointed, the Supreme Court is renamed the Senior Courts by the Constitutional Reform Act 2005 s 59(1) (not yet in force): see para 632 note 1 ante; and COURTS. At the date at which this volume states the law no such day had been appointed.
3 Judicial Trustees Act 1896 s 4(1)(1).
4 Ibid s 4(1)(2).
5 Ibid s 4(1)(3).
6 Ibid s 4(1)(4).
7 Ibid s 4(1)(5).
8 Ibid s 4(1)(6).
9 Ibid s 4(1)(7).
10 Ibid s 4(1)(8).
11 Ibid s 4(1)(9).
12 Ibid s 4(1)(10).
13 Ibid s 4(1)(11) (substituted by the Administration of Justice Act 1982 s 57(2)).
14 Judicial Trustees Act 1896 s 4(1)(12) (added by the Administration of Justice Act 1982 s 57(2)).

B. APPOINTMENT

759. Application for appointment. An application to the court for the appointment of a judicial trustee[1] is made using the Part 8 procedure or by an application in existing proceedings[2].

An application for an injunction ancillary or incidental to an order appointing a judicial trustee may be joined with the application for such an order[3]. The court hearing such an application may grant an injunction restraining any trustee or person entitled to any interest in the property of which a judicial trustee is sought from assigning, charging

or otherwise dealing with that property until after the hearing of a claim for the appointment of the judicial trustee and may require such claim returnable on such date as the court may direct, to be issued[4].

The evidence in support of such an application must include an affidavit by the applicant containing the following particulars so far as the applicant can gain information with regard to them:

(1) a short description of the trust and instrument by which it is, or is to be, created[5];
(2) short particulars of the trust property, with an approximate estimate of its income and capital value[6];
(3) short particulars of the encumbrances, if any, affecting the trust property[7];
(4) particulars as to the persons who are in possession of the documents relating to the trust[8];
(5) the names and addresses of the beneficiaries and short particulars of their respective interests[9]; and
(6) the name, address and description of the proposed judicial trustee, if any, together with any proposal the applicant may make for his remuneration[10].

Where the applicant cannot gain the information required on any point, he must mention his inability in the affidavit[11].

1 For these purposes, 'judicial trustee' means a sole judicial trustee or two or more judicial trustees appointed to act together: Judicial Trustee Rules 1983, SI 1983/370, r 2(1).

2 See ibid r 3(1); and CPR Pt 8. See also para 643 ante. A claim may be issued out of a district registry for the purpose of an application to appoint a judicial trustee: see the Judicial Trustee Rules 1983, SI 1983/370, r 17(1).

Subject to any direction of the court, the claim must be served on every existing trustee who is not an applicant and on such of the beneficiaries as the applicant thinks fit; but a claim issued by or on behalf of a person creating or intending to create a trust need not be served on any person: see r 4(1). The court may give such directions as it thinks fit for the service of the claim or the dispensing with service of the claim on any person: see r 4(2). Where an applicant has no nomination for a judicial trustee, he may, if he thinks fit, give not less than four days' notice of the hearing of the application to any official of the court who may be appointed judicial trustee: see r 4(3). For the meaning of 'official of the court' see para 758 note 2 ante. Where an official of the court receives notice under r 4(3), he is not a party to the proceedings but he is entitled to attend the hearing: r 4(4).

3 Ibid r 3(2).

4 See ibid r 3(3).

5 Ibid r 3(4)(a).

6 Ibid r 3(4)(b).

7 Ibid r 3(4)(c).

8 Ibid r 3(4)(d).

9 Ibid r 3(4)(e).

10 Ibid r 3(4)(f).

11 Ibid r 3(5).

760. Appointment of judicial trustee. Where application is made to the court[1] by or on behalf of the person creating or intending to create a trust[2] or by or on behalf of a trustee[3] or beneficiary[4], the court may in its discretion appoint a person (a 'judicial trustee') to be a trustee of that trust either jointly with any other person or as sole trustee and, if sufficient cause is shown, in place of all or any existing trustees[5]. Any fit and proper person nominated in the application may be appointed a judicial trustee and, in the absence of such nomination or if the court is not satisfied of the fitness of a person so nominated, an official of the court[6] may be appointed, and in any case a judicial trustee is subject to the control and supervision of the court as an officer of the court[7].

An official of the court may not be appointed or act as judicial trustee:

(1) for any persons in their capacity as members or debenture holders of or being in any other relation to, any corporation or unincorporated body, or any club[8]; or

(2) of a trust which involves the carrying on of any trade or business, unless the court, with or without special conditions to ensure the proper supervision of the trade or business, specifically directs[9].

The appointment of an official of the court as a judicial trustee is an appointment of the holder of that office for the time being, and no further order or appointment is necessary by reason only of the person appointed dying or ceasing to hold office[10]. Any property vested in an official of the court as a judicial trustee vests, on his dying or ceasing to hold office, in the person appointed to succeed him without any conveyance, assignment or transfer[11].

The court may give such directions as it thinks fit as to the manner in which and the conditions subject to which:

(a) the trust fund is to be held[12];
(b) any title deeds, certificates or other documents which are evidence of the title to the trust property are to be held or disposed of[13];
(c) trust property may be vested in the judicial trustee[14]; and
(d) any payments received or made on behalf of the trust are to be dealt with and accounts of it are to be kept[15].

Where an application relating to the estate of a deceased person is made to the court under the above provisions, the court may, if it thinks fit, proceed as if the application were, or included, an application under its statutory power[16] to appoint a substitute for, or to remove, a personal representative[17].

1 See para 757 ante.
2 'Trust' has its ordinary meaning and includes a trust the trustees of which are trustees for the purposes of the Settled Land Act 1925: *Re Marshall's Will Trusts* [1945] Ch 217, [1945] 1 All ER 550. The Judicial Trustees Act 1896 does not extend to a charity: s 6(2) (amended by the Charities Act 1960 s 48(2), Sch 7 Pt I). The administration of the property of a deceased person, whether a testator or intestate, is a trust, and the executor or administrator a trustee, within the meaning of the Judicial Trustees Act 1896: s 1(2). A person will not be appointed judicial trustee of only a part of the trust property which is not subject to a separate trust: *Re Wells, Loggie v Wells* [1967] 3 All ER 908, [1968] 1 WLR 44.
3 See *Re Ratcliff* [1898] 2 Ch 352 at 355–356 per Kekewich J (where it was said that the Judicial Trustees Act 1896 authorised the removal of an executor).
4 As to the making of the application see *Re Jones, Jones v Pickett* [1934] WN 77; and para 759 ante.
5 Judicial Trustees Act 1896 s 1(1). The appointment is in the discretion of the court and will not be made where there is good reason to the contrary: *Re Chisholm, Legal Reversionary Society v Knight* (1898) 43 Sol Jo 43; *Re Ratcliff* [1898] 2 Ch 352 (application refused and an ordinary trustee appointed); *Re Martin* [1900] WN 129 (where Kekewich J considered the union of a judicial trustee and a private or gratuitous trustee undesirable and appointed an ordinary trustee). A judicial trustee was appointed where the action would not be heard for some time and it would be unfair to leave the administration of the funds to trustees whose honesty was in doubt: *McDonald v Horn* (1993) Times, 12 October; affd without comment on the appointment [1995] 1 All ER 961, CA.

A copy of the order appointing a judicial trustee must be served by the party having conduct of the proceedings on the judicial trustee, such beneficiaries, former trustees and other persons as the court may direct: Judicial Trustee Rules 1983, SI 1983/370, r 5.

Where a judicial trustee is appointed on a claim or application or in a cause or matter proceeding in a district registry, all proceedings with respect to the trust and the administration of it under the Judicial Trustees Act 1896 or the Judicial Trustee Rules 1983, SI 1983/370, must be taken in the district registry (r 17(2)); but the court may transfer any trust of which there is a judicial trustee from a district registry to chancery chambers or from chancery chambers to a district registry, or from one district registry to another, according as it appears convenient for the administration of the trust (r 17(3)).
6 For the meaning of 'official of the court' see para 758 note 2 ante.
7 Judicial Trustees Act 1896 s 1(3).
8 Judicial Trustee Rules 1983, SI 1983/370, r 15(a).
9 Ibid r 15(b).
10 Ibid r 16(1).
11 Ibid r 16(2).
12 Ibid r 7(a).
13 Ibid r 7(b).

14 Ibid r 7(c).
15 Ibid r 7(d).
16 Ie under the Administration of Justice Act 1985 s 50: see EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 706.
17 Judicial Trustees Act 1896 s 1(7) (added by the Administration of Justice Act 1985 ss 50(6), 69(5), Sch 9 para 10).

761. Security. Where the judicial trustee is not an official of the court[1], an order appointing a judicial trustee may include such directions as the court[2] thinks fit for the giving of security by the person appointed[3]. Except for special reasons, the court may not, however, require security to be given when the application is made by a person creating or intending to create a trust[4]. Where a person is required to give security in accordance with these provisions[5], he must give security approved by the court duly to account for what he receives as judicial trustee and to deal with it as the court directs[6]. Unless the court otherwise directs, the security must be by guarantee[7]. Any guarantee or undertaking ordered to be filed as security must be filed in chancery chambers or, if the cause or matter is proceeding in a district registry, in that registry[8].

1 Judicial Trustee Rules 1983, SI 1983/370, r 6(1). For the meaning of 'official of the court' see para 758 note 2 ante.
2 See para 757 ante.
3 Judicial Trustee Rules 1983, SI 1983/370, r 6(2). Rule 6(2) is subject to r 6(3) (see the text and note 4 infra): r 6(2).
4 Ibid r 6(3).
5 Ie by virtue of ibid r 6(2): see the text and note 3 supra.
6 Ibid r 6(4).
7 Ibid r 6(5).
8 Ibid r 6(6). As to proceedings in a district registry see paras 759 note 2, 760 note 5 ante.

C. ADMINISTRATION AND ACCOUNTS

762. In general. The court[1], either on or without request, may give to a judicial trustee any general or special directions in regard to the trust or its administration[2]. A judicial trustee or any person interested in the trust may at any time request the court to give directions as to the trust or its administration, including a direction that there is to cease to be a judicial trustee[3]. The court may require the trustee or any other person to attend at chambers (if it appears that such attendance is necessary or convenient) or may direct a claim to be issued in the proceedings, or direct an issue or issues to be tried[4].

Unless the court otherwise orders, a judicial trustee must make up his accounts (in such form as the court requires) in each year to the anniversary of his appointment, and must deliver them[5] within one calendar month after that anniversary[6]. A judicial trustee must indorse on his accounts a certificate of the approximate capital value of the trust property at the commencement of the year of account[7].

There is provision as to fees payable in respect of any matter proceeding under the statutory rules[8].

In any case where the court so directs, an inquiry into the administration by a judicial trustee of any trust or into any dealing or transaction of a judicial trustee is to be made in the prescribed manner[9].

1 See para 757 ante.
2 Judicial Trustees Act 1896 s 1(4). The fact that the court may give the judicial trustee directions as to the trust or its administration does not deprive the judicial trustee of the power given to a trustee to compromise under the Trustee Act 1925 s 15(f) (see para 1052 head (6) post): *Re Ridsdel, Ridsdel v Rawlinson* [1947] Ch 597, [1947] 2 All ER 312.
3 Judicial Trustee Rules 1983, SI 1983/370, r 8(1). The request must state in writing the matters with regard to which directions are required: r 8(1).

4 See ibid r 8(2).
5 Ie in accordance with ibid r 12 or r 13 (see para 763 post), as the case may be.
6 Ibid r 9.
7 Ibid r 10.
8 Where in any matter proceeding under the Judicial Trustee Rules 1983, SI 1983/370, a fee would be payable under the order for the time being in force relating to Supreme Court fees, that fee is to be paid: r 18. As to Supreme Court fees see the Civil Proceedings Fees Order 2004, SI 2004/3121 (as amended); and PRACTICE AND PROCEDURE. As from a day to be appointed, the Supreme Court is renamed the Senior Courts by the Constitutional Reform Act 2005 s 59(1) (not yet in force): see para 632 note 1 ante; and COURTS. At the date at which this volume states the law no such day had been appointed.
9 Judicial Trustees Act 1896 s 1(6) (amended by the Administration of Justice Act 1982 ss 57(1), 75, Sch 9 Pt I). For these purposes, 'prescribed' means prescribed by rules under the Judicial Trustees Act 1896: s 5. As to the power to make rules see para 758 ante. The Judicial Trustee Rules 1983, SI 1983/370, make no provision for the making of an inquiry under the Judicial Trustees Act 1896 s 1(6) (as amended). However, as to the filing, examination and inspection of accounts see para 763 post; and as to default by a judicial trustee see para 765 post.

763. Filing, examination and inspection of accounts. Different provisions relating to the filing, examination and inspection of the accounts of a judicial trustee apply depending upon whether that trustee is or is not a corporate trustee[1].

Where the judicial trustee is not a corporate trustee[2], then, unless the court[3] otherwise directs, he must submit his accounts to the court[4]. The accounts must be examined by the court unless it considers that they are likely to involve questions of difficulty and refers them to a qualified accountant[5] for report, in which case the court may order payment to him out of the trust of such reasonable amount in respect of his report as it thinks fit[6]. Following examination by or on behalf of the court, the result of the examination must be certified by a master[7] and an order may then be made as to the incidence of any costs or expenses incurred[8]. The judicial trustee must send a copy of the accounts, or, if the court thinks fit, a summary of the accounts, of the trust to such beneficiaries or other persons as the court may direct[9]. If an application is made by any person to inspect the filed accounts, the court may, if it thinks fit, having regard to the nature of the relation of the applicant to the trust, allow them to be inspected on giving reasonable notice[10]. Any person who is served with a copy or a summary of the accounts[11] or who, after inspection of the accounts[12], remains dissatisfied with them, may apply to the court for directions[13].

Where the judicial trustee is a corporate trustee[14], the judicial trustee must submit for examination such accounts to such persons as the court may direct[15]. Any person to whom a judicial trustee is required to submit accounts may, on giving reasonable notice to the judicial trustee, inspect, either personally or by an agent, the books and other papers relating to the accounts[16]. Any person to whom the judicial trustee is required to submit accounts, or any beneficiary, who is dissatisfied with them may give notice specifying the item or items as to which objection is taken and requiring the judicial trustee within not less than 14 days to lodge his accounts with the court and a copy of such a notice must be lodged in chancery chambers or, if the cause or matter is proceeding in a district registry[17], in that registry[18]. Following an examination by or on behalf of the court of an item or items in an account to which objection is taken, the result of the examination must be certified by a master and an order may thereupon be made as to the incidence of any costs or expenses incurred[19].

1 For these purposes, 'corporate trustee' means the Official Solicitor to the Supreme Court, the Public Trustee (see para 766 et seq post) or a corporation either appointed by the court (see para 760 ante) in any particular case to be a trustee or entitled by rules made under the Public Trustee Act 1906 s 4(3) (see para 793 post) to act as custodian trustee: Judicial Trustee Rules 1983, SI 1983/370, r 2(1). As from a day to be appointed, the Supreme Court is renamed the Senior Courts by the Constitutional Reform Act 2005 s 59(1) (not yet in force): see para 632 note 1 ante; and COURTS. At the date at which this volume states the law no such day had been appointed.

2 Judical Trustee Rules 1983, SI 1983/370, r 12(1).
3 See para 757 ante.
4 Judicial Trustee Rules 1983, SI 1983/370, r 12(2).
5 For these purposes, 'qualified accountant' means a person who is a member of a firm all the partners in which are members of the Institute of Chartered Accountants in England and Wales or of the Association of Certified and Corporate Accountants: ibid r 2(1).
6 Ibid r 12(3). As to where an auditor has doubts about a payment of an authorised character see *Re Ridsdel, Ridsdel v Rawlinson* [1947] Ch 597 at 604, [1947] 2 All ER 312 at 316.
7 For these purposes, 'master' means a master of the Supreme Court other than a master of the Supreme Court (Taxing Office) and includes a district judge of a district registry of the High Court: Judicial Trustee Rules 1983, SI 1983/370, r 2(1) (amended by virtue of the Courts and Legal Services Act 1990 s 74(1)(b), (3)). As to the renaming of the Supreme Court as the Senior Courts see note 1 ante.
8 Judicial Trustee Rules 1983, SI 1983/370, r 12(4).
9 Ibid r 12(5). As to copies of the accounts, and any alterations, comments or corrections on or to the accounts, being sent to the beneficiaries see *Re Ridsdel, Ridsdel v Rawlinson* [1947] Ch 597 at 606, [1947] 2 All ER 312 at 317.
10 Judicial Trustee Rules 1983, SI 1983/370, r 12(6).
11 Ie a summary of the accounts under ibid r 12(5): see the text and note 9 supra.
12 Ie after inspection of the accounts under ibid r 12(6): see the text and note 10 supra.
13 Ibid r 12(7).
14 Ibid r 13(1).
15 Ibid r 13(2).
16 Ibid r 13(3).
17 As to where the cause or matter is proceeding in a district registry see paras 759 note 2, 760 note 5 ante.
18 Judicial Trustee Rules 1983, SI 1983/370, r 13(4).
19 Ibid r 13(5).

764. Remuneration and disbursements. There may be paid to a judicial trustee out of the trust property such remuneration, not exceeding the prescribed limits[1], as the court[2] may assign in each case, subject to any of the rules[3] respecting the application of the remuneration where the judicial trustee is an official of the court[4]. Save as the court may for special reasons otherwise order, the remuneration so assigned to any judicial trustee is to cover all his work and personal outlay[5].

A person appointed judicial trustee must be allowed on the examination of his accounts:

(1) by way of remuneration, if any, such reasonable amount in respect of work reasonably performed as may be authorised by the court, and the court may direct that such remuneration is to be fixed by reference to such scales or rates of professional charges as it thinks fit provided that remuneration authorised under this provision[6] must not, in any year of account, exceed 15 per cent of the capital value of the trust property[7]; and

(2) such disbursements as have actually and properly been expended in his trusteeship[8].

1 See the Judicial Trustee Rules 1983, SI 1983/370, r 11; and the text and notes 6–8 infra.
2 See para 757 ante.
3 Ie any rules under the Judicial Trustees Act 1896. As to the rules made see the Judicial Trustee Rules 1983, SI 1983/370.
4 Judicial Trustees Act 1896 s 1(5). For the meaning of 'official of the court' see para 758 note 2 ante.
5 Ibid s 1(5). As to a judicial trustee being allowed separate costs see *Re Diplock, Diplock v Wintle* [1948] Ch 465 at 558, [1948] 2 All ER 318 at 366–367, CA.
6 Ie under the Judicial Trustee Rules 1983, SI 1983/370, r 11: see the text and notes 7–8 infra.
7 Ibid r 11(1)(a). For these purposes, the capital value is to be ascertained from the certificate under r 10 (see para 762 ante) in respect of the year of account or, if the court sees fit in the case of a final account, from the certificate in respect of the preceding year: r 11(2)(a). The court may, if it thinks fit, indicate to a judicial trustee upon his appointment the scale or rate of professional charges that it considers would be appropriate in relation to the appointment: r 11(2)(b).
8 Ibid r 11(1)(b).

765. Default by judicial trustee. Where a judicial trustee fails to submit his account in the prescribed manner[1] or do any other thing which he is required to submit, provide or do, he and any or all of the beneficiaries and such other persons as the court[2] may direct may be required to attend in chambers to show cause for the failure and the court may, either in chambers or after adjourning into court, give such directions as it thinks proper, including, if necessary, directions for the discharge of the judicial trustee and the appointment of another and the payment of costs[3].

Where the judicial trustee has failed to comply with the Judicial Trustees Act 1896 or with the rules made under it[4] or with any direction of the court made in accordance with those rules, or has otherwise misconducted himself in relation to the trust, the court may disallow any remuneration claimed in any subsequent account[5].

If the court is satisfied that the judicial trustee has failed to pay any sum into the trust account within a reasonable period of time, it may charge him with interest at the rate currently payable in respect of judgment debts on that sum while in his possession[6].

1 See para 763 ante.
2 See para 757 ante.
3 Judicial Trustee Rules 1983, SI 1983/370, r 14(1).
4 Ie the Judicial Trustee Rules 1983, SI 1983/370.
5 Ibid r 14(2).
6 Ibid r 14(3). As to the rate of interest on judgment debts see PRACTICE AND PROCEDURE.

(iii) The Public Trustee

A. APPOINTMENT, STATUS AND OFFICERS

766. Appointment and officers. The Public Trustee is an officer who is appointed by the Lord Chancellor under the Public Trustee Act 1906[1]. He holds and must vacate office in accordance with the terms of his appointment[2], and he must be paid such salary or fees as the Lord Chancellor determines with the consent of the Treasury[3]. If one person holds office both as the Public Trustee and as the Accountant General of the Supreme Court[4], then, if he ceases to be the Accountant General, he also ceases to be the Public Trustee unless the Lord Chancellor otherwise directs[5]. If a vacancy occurs in the office of Public Trustee or the person appointed to hold office is for any reason unable to act for any period, such person as the Lord Chancellor appoints as deputy in that office performs, during the vacancy or that period, the functions of that office; and any property vested in the Public Trustee may accordingly be dealt with by the deputy in all respects as if it were vested in him instead[6].

The Lord Chancellor must appoint such persons to be officers of the Public Trustee as, subject to the sanction of the Treasury, he may consider necessary for the purposes of the Public Trustee Act 1906; and those officers hold office upon such terms and are remunerated at such rates and in such manner as the Treasury may sanction[7]. Any person appointed to be Public Trustee or an officer of the Public Trustee may, and, if the Treasury so requires, must, be a person already in the public service[8].

The salary or remuneration of the Public Trustee and his officers and such other expenses[9] of executing his office or otherwise carrying the Public Trustee Act 1906 into effect as may be sanctioned by the Treasury must be paid out of moneys provided by Parliament[10].

The Central Office of the Public Trustee must be situated in London[11]. Branch offices may from time to time be established as may be prescribed by the Lord Chancellor by notice in the London Gazette[12]; and at any branch offices so established there must be Deputy Public Trustees who are officers of the Public Trustee and have the powers and perform the duties assigned[13] to them[14].

1 See the Public Trustee Act 1906 ss 1(1), 8(1) (s 8(1) substituted by the Public Trustee and Administration of Funds Act 1986 s 1(3), Schedule para 1). As to the Lord Chancellor see CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) para 477 et seq.

The Public Trustee is subject to investigation by the Parliamentary Commissioner for Administration: see the Parliamentary Commissioner Act 1967 s 4(1), Sch 2 (as substituted); and ADMINISTRATIVE LAW vol 1(1) (2001 Reissue) para 43.

The Public Trustee Act 1906 does not extend to Northern Ireland or Scotland: s 17(2). It would seem that expressions not expressly defined in the Act have the same meaning as in the Trustee Act 1925: see the Public Trustee Act 1906 s 15; and the Interpretation Act 1978 s 17(2)(a).

From 1 April 2001 the trust division of the Public Trust Office was merged with those parts of the office of the Official Solicitor to the Supreme Court which remained after the formation of the Children and Family Court Advisory and Support Service. Thus the offices of the Official Solicitor and the Public Trustee are now housed in one office building, but they continue to have separate corporate functions even though one person may be appointed to hold both offices: see further MENTAL HEALTH vol 30(2) (Reissue) para 748.

2 Public Trustee Act 1906 s 8(1) (as substituted: see note 1 supra).

3 Ibid s 8(1A) (added by the Public Trustee and Administration of Funds Act 1986 s 1(3), Schedule para 1). As to the Public Trustee's salary and fees see paras 790–791 post. As to the Treasury see CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) paras 512–517.

4 The office of Public Trustee and the office of Accountant General of the Supreme Court may be held by one person: Public Trustee and Administration of Funds Act 1986 s 1(1). As from a day to be appointed, the words 'Senior Courts' in the Public Trustee and Administration of Funds Act 1986 and the Public Trustee Act 1906 are substituted for the words 'Supreme Court' by the Constitutional Reform Act 2005 s 59(5), Sch 11 para 4(1), (3). At the date at which this volume states the law no such day had been appointed. As to the Accountant General see PRACTICE AND PROCEDURE vol 37 (Reissue) para 1382.

5 Public Trustee Act 1906 s 8(1B) (added by the Public Trustee and Administration of Funds Act 1986 Schedule para 1; prospectively amended (see note 4 supra)).

6 Public Trustee Act 1906 s 8(1C) (added by the Public Trustee and Administration of Funds Act 1986 Schedule para 1).

7 Public Trustee Act 1906 s 8(2).

8 Ibid s 8(3). Security must be given by such persons employed under the Public Trustee Act 1906 as the Treasury may direct for the due performance of their duties and for the due accounting for and payment of all moneys received by them in pursuance of that Act and the Public Trustee Rules 1912, SR & O 1912/348: r 5. The security must be for such sum and must be given in such manner and form as the Treasury orders in the case of each such person; and the Treasury may at any time require that the amount or nature of any such security be varied: r 5.

9 For these purposes, 'expenses' includes costs and charges: Public Trustee Act 1906 s 15.

10 Ibid s 8(5).

11 See ibid s 8(4); and the Public Trustee Rules 1912, SR & O 1912/348, r 3(1).

12 Ibid r 3(2). There are now no branch offices, the Manchester branch office having been closed in 1956.

Upon the appointment of the Public Trustee being completed, the Public Trustee must consider and determine whether the trust is to be administered from his central office or from a branch office and he must give directions accordingly; and any such directions may at any time be rescinded or varied by the Public Trustee at his discretion: r 11. For the purposes of the Public Trustee Act 1906, 'trust' includes an executorship or administratorship; and 'trustee' is to be construed accordingly: s 15. For the purposes of the Public Trustee Rules 1912, SR & O 1912/348 (as amended), the expression 'trust' includes any trust duty or office which the Public Trustee is authorised by the Public Trustee Act 1906 or the Public Trustee Rules 1912, SR & O 1912/348 (as amended) to accept; and the expression 'trustee' is to be construed accordingly: r 1. For the meaning of 'trust' generally see para 601 ante.

Upon the acceptance of any application under the Public Trustee Act 1906 s 3 (see para 772 et seq post), the Public Trustee must consider and determine whether the estate is to be administered from his central office or from a branch office and he must give directions accordingly; and any such directions may at any time be rescinded or varied by the Public Trustee at his discretion: Public Trustee Rules 1912, SR & O 1912/348, r 13(4).

13 Ie by or under the Public Trustee Rules 1912, SR & O 1912/348 (as amended).

14 Ibid r 4. The number of Deputy Public Trustees is such as the Lord Chancellor, with the sanction of the Treasury, may from time to time prescribe: r 4. Every such appointment must be notified in the London Gazette: r 4.

The Public Trustee may in writing authorise any Deputy Public Trustee to exercise and perform, either generally or in relation to any particular case and subject to such conditions and restrictions, if any, as the Public Trustee may impose, all or any of the powers and duties of the Public Trustee under rr 1–41 (as amended) except: (1) the power or duty of determining whether a trust or estate is to be administered from his central office or from a branch office; (2) the power of authorising officers of the Public Trustee

to transfer securities or assure land or to sign cheques; and (3) the power of making advances for the purposes of any trust or estate: r 42(1). Any such authority, conditions or restrictions may at any time in like manner be withdrawn or varied by the Public Trustee at his discretion: r 42(2).

No Deputy Public Trustee and no firm or member of a firm of solicitors of which such Deputy is a member may, except with the consent in writing of the Public Trustee and subject to such conditions as he may impose, act as solicitor or solicitors to a trust or estate which is in course of administration by that Deputy: r 43.

For the purposes of the Public Trustee Act 1906 and the Public Trustee Rules 1912, SR & O 1912/348 (as amended), except r 30 (as amended) (see para 794 post), the reference to a solicitor includes a reference to a body corporate recognised by the Council of the Law Society under the Administration of Justice Act 1985 s 9 (as amended) (see SOLICITORS vol 44(1) (Reissue) para 383); and any reference to a firm of solicitors is to be construed as including a reference to a recognised body: see the Solicitors' Incorporated Practices Order 1991, SI 1991/2684, arts 2(1), 3, 4(a), (b), Sch 1.

767. Scope of office. The Public Trustee is a corporation sole under that name with a perpetual succession and an official seal, and may sue and be sued under that name like any other corporation sole[1], and may hold land[2].

The Public Trustee is a trust corporation for certain statutory purposes[3]. He may, if he thinks fit[4]:

(1) act in the administration of estates of small value[5];
(2) act as custodian trustee[6];
(3) act as an ordinary trustee[7]; or
(4) be appointed to be a judicial trustee[8].

The Public Trustee may act either alone or jointly with any person or body of persons in any capacity to which he may be appointed[9]. He cannot, however, accept any trust[10]:

(a) exclusively for religious or charitable purposes[11]; or
(b) which involves the management or carrying on of any business, except in the cases in which he may be authorised to do so by rules made under the Public Trustee Act 1906[12]; or
(c) under a deed of arrangement for the benefit of creditors[13].

The Public Trustee must not accept the administration of an estate known or believed by him to be insolvent[14], or the trusts of a settlement which has to be construed and governed by the law of any foreign country or any part of Her Majesty's dominions to which the Public Trustee Act 1906 does not apply[15]. The Public Trustee may act in the trusts of an English settlement even though it involves the management of property which is not situated in England or Wales[16].

A notice affecting land which would have been authorised or required to be served on a person but for his death is sufficiently served before a grant of representation has been filed if: (i) it is addressed to 'The Personal Representatives of' the deceased and left at or sent by post to his last known place of residence or business in the United Kingdom[17]; and (ii) a copy of it, similarly addressed, is served on the Public Trustee[18].

In so far as the Public Trustee does not already have power to do so, he may authorise an officer of his to exercise any function of his which is conferred by or under any enactment[19]. Anything done or omitted to be done by an officer so authorised in, or in connection with, the exercise or purported exercise of the function is treated for all purposes as done or omitted to be done by the Public Trustee in his capacity as such[20].

1 Public Trustee Act 1906 s 1(2). Any instruments sealed by him are not, by reason of his using a seal, rendered liable to a higher stamp duty than if he were an individual: s 1(2). As to corporations sole see CORPORATIONS vol 9(2) (2006 Reissue) paras 1111–1112.

2 *Re Leslie's Hassop Estates* [1911] 1 Ch 611.

3 As to trust corporations see para 798 et seq post.

4 Public Trustee Act 1906 s 2(1). This provision is subject to the provisions of the Public Trustee Act 1906 and rules made under it: see s 2(1). As to the rules made see the Public Trustee Rules 1912, SR & O 1912/348 (as amended). The Public Trustee may decline, either absolutely or except on the conditions

prescribed for the time being by rules made under the Public Trustee Act 1906, to accept any trust, but he may not decline to accept any trust on the ground only of the small value of the trust property: s 2(3).

Since 2001 the Public Trustee has only accepted new cases in accordance with strict last resort acceptance criteria and in May 2006 the Lord Chancellor approved proposals for the Public Trustee to retire from the bulk of his existing caseload of trusts and estates: see the written ministerial statement issued by the Department for Constitutional Affairs *Official Solicitor and Public Trustee Trusts and Estate Cases* (23 May 2006). As to the Lord Chancellor see CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) para 477 et seq.

5 Public Trustee Act 1906 s 2(1)(a). As to the administration of small estates see para 772 et seq post.

6 Ibid s 2(1)(b). As to custodian trustees see para 792 et seq post.

7 Ibid s 2(1)(c). As to ordinary trusteeship see para 769 et seq post.

8 Ibid s 2(1)(d). As to judicial trustees see para 757 et seq ante.

9 See ibid s 2(2). The Public Trustee has all the same powers, duties and liabilities, and is entitled to the same rights and immunities and is subject to the control and orders of the court, as a private trustee acting in the same capacity: s 2(2). This provision is subject to the Public Trustee Act 1906 and the rules made thereunder: s 2(2). For these purposes, 'court' means the High Court and, as respects trusts within its jurisdiction (see paras 641–642 ante), the county court: s 15.

10 For the meaning of 'trust' see para 766 note 12 ante.

11 Public Trustee Act 1906 s 2(5). See also *Re Cherry's Trusts, Robinson v Wesleyan Methodist Chapel Purposes Trustees* [1914] 1 Ch 83; *Re Hampton, Public Trustee v Hampton* (1918) 88 LJ Ch 103 (where a devise to the Public Trustee upon trust for sale, and to hold the net proceeds of sale in trust for such charitable objects as he might select, was held to be a trust exclusively for charitable purposes); and CHARITIES vol 5(2) (2001 Reissue) para 234. Nothing in the Public Trustee Act 1906 or the rules made under it abridges or affects the powers or duties of the official trustee of charity lands or official trustees of charitable funds: see s 2(5).

12 See ibid s 2(4). If he thinks fit, the Public Trustee may act as custodian trustee of a trust which involves the management or carrying on of any business, but upon the conditions that: (1) he is not to act in the management or carrying on of such business; and (2) he is not to hold any property of such a nature as will expose the holder of it to any liability except under exceptional circumstances and when he is satisfied that he is fully indemnified or secured against loss: Public Trustee Rules 1912, SR & O 1912/348, r 7(1).

The Public Trustee may if he thinks fit accept as ordinary trustee, under exceptional circumstances, a trust which involves the management or carrying on of any business, but upon the conditions that, except with the consent of the Treasury, he may only carry on the same: (a) for a short time not exceeding 18 months; and (b) with a view to sale, disposition or winding up; and (c) if satisfied that the same can be carried on without risk of loss: r 7(2). As to the Treasury see CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) paras 512–517.

13 Public Trustee Act 1906 s 2(4).

14 Ibid s 2(4).

15 *Re Hewitt's Settlement, Hewitt v Hewitt* [1915] 1 Ch 228.

16 *Re Hewitt's Settlement, Hewitt v Hewitt* [1915] 1 Ch 228 at 234 per Eve J. As from a day to be appointed, the Public Trustee may exercise the functions of a deputy appointed by the Court of Protection: see the Public Trustee and Administration of Funds Act 1986 s 3(1) (prospectively substituted by the Mental Capacity Act 2005 s 67(1), Sch 6 para 33(a)). This provision is subject to the Public Trustee and Administration of Funds Act 1986 s 3(6); and paras 788, 790 post. See MENTAL HEALTH vol 30(2) (Reissue) para 757. As the date at which this volume states the law no such day had been appointed.

17 See the Law of Property (Miscellaneous Provisions) Act 1994 s 18(1)(a); and SALE OF LAND vol 42 (Reissue) para 322. Where it is not expressly defined by an Act, 'United Kingdom' means Great Britain and Northern Ireland: Interpretation Act 1978 s 5, Sch 1. For the purposes of the Trustee Act 1925, 'United Kingdom' is similarly defined: see the Trustee Act 1925 s 68(1) para (20). 'Great Britain' means England, Scotland and Wales: Union with Scotland Act 1706 preamble art I; Interpretation Act 1978 s 22(1), Sch 2 para 5(a). Neither the Channel Islands nor the Isle of Man are within the United Kingdom. See further CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) para 3.

18 See the Law of Property (Miscellaneous Provisions) Act 1994 s 18(1)(b); and SALE OF LAND vol 42 (Reissue) para 322. As to the filing of documents so served, the keeping of a register of details taken from them, and searches of the register, see the Public Trustee (Notices Affecting Land) (Title on Death) Regulations 1995, SI 1995/1330 (amended by SI 2001/3902).

19 Deregulation and Contracting Out Act 1994 s 74(1), (4)(d). As to the contracting out of the function of office-holders generally see s 69; and CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) para 364.

20 Ibid s 74(2), (4)(d). Section 74(2) does not, however, apply for the purposes of any criminal proceedings brought in respect of anything done or omitted to be done as mentioned in that provision: s 74(3).

768. Power to make rules. The Lord Chancellor must, with the concurrence of the Treasury, make rules for carrying into effect the objects of the Public Trustee Act 1906 and in particular for all or any of the following purposes[1]:

(1) establishing the office of Public Trustee and prescribing the trusts or duties he is authorised to accept or undertake, and the security, if any, to be given by the Public Trustee and his officers[2];
(2) the transfer to and from the Public Trustee of any property[3];
(3) the accounts to be kept and an audit thereof[4];
(4) the establishment and regulations of any branch office[5];
(5) excluding any trusts from the operation of the Public Trustee Act 1906 or any part of it[6];
(6) the classes of corporate bodies entitled to act as custodian trustees[7]; and
(7) the form and manner in which notices under the Public Trustee Act 1906 are to be given[8].

1 Public Trustee Act 1906 s 14(1). As to the Lord Chancellor see CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) para 477 et seq. As to the Treasury see CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) paras 512–517. Every rule must be laid before each House of Parliament and is subject to annulment in pursuance of a resolution of either House within 40 days: see s 14(2); the Statutory Instruments Act 1946 ss 4(3), 5(1), (2); and STATUTES vol 44(1) (Reissue) para 1516. As to the rules that have been made see the Public Trustee Rules 1912, SR & O 1912/348 (as amended).

The Public Trustee may frame and cause to be printed and circulated or otherwise promulgated such forms and directions and regulations as he may deem requisite or expedient for facilitating proceedings under the Public Trustee Act 1906 and rules made thereunder: Public Trustee Rules 1912, SR & O 1912/348, r 44.

2 Public Trustee Act 1906 s 14(1)(a).
3 Ibid s 14(1)(b).
4 Ibid s 14(1)(c).
5 Ibid s 14(1)(d).
6 Ibid s 14(1)(e).
7 Ibid s 14(1)(f). As to custodian trustees see para 792 et seq post.
8 Ibid s 14(1)(g).

B. ORDINARY TRUSTEESHIP

769. Power to act as trustee. The Public Trustee may, by the name of Public Trustee, or by any other sufficient description, be appointed to be trustee of any will or settlement or other instrument creating a trust[1], or to perform any trust or duty belonging to a class which he is authorised by rules made under the Public Trustee Act 1906 to accept, as an original, a new or an additional trustee, in like manner in all respects as if he were a private trustee[2], with the addition that though the trustees originally appointed were two or more, the Public Trustee may be appointed sole trustee[3]. He can be so appointed and can act as a sole trustee notwithstanding that the instrument creating the trust directs that the number of trustees is not to be reduced below some larger number[4]. Where practicable, notice of any proposed appointment of the Public Trustee either as a new or additional trustee must be given in the prescribed manner[5] to all persons beneficially interested who are resident in the United Kingdom[6] and whose addresses are known to the persons proposing to make the appointment or, if such beneficiaries are minors, to their guardians[7]. In the case of the appointment of the Public Trustee by a testator, his subsequent consent, and, in every other case, his previous consent, to act is requisite[8].

1 For the meaning of 'trust' for these purposes see para 766 note 12 ante. For the meaning of 'trust' generally see para 601 ante.
2 For these purposes, 'private trustee' means a trustee other than the Public Trustee: Public Trustee Act 1906 s 15.

3 See ibid s 5(1). See also *Re Kensit* [1908] WN 235; *Re Johnston, Mills v Johnston* (1911) 105 LT 701; *Re Firth, Firth v Loveridge* [1912] 1 Ch 806; *Forster v Williams Deacon's Bank Ltd* [1935] Ch 359, CA (where the distinction between an appointment as ordinary trustee under the Public Trustee Act 1906 s 5 and an appointment as custodian trustee under s 4 (see para 792 et seq post) is pointed out); *Re Duxbury's Settlement Trusts* [1995] 3 All ER 145, [1995] 1 WLR 425, CA (the Public Trustee's appointment as a sole trustee of a discretionary settlement held to be a valid appointment under the Public Trustee Act 1906 s 5(1) and to entitle him to exercise trustee's powers and discretions notwithstanding an express clause in the trust deed which prohibited an exercise of trustee's powers by fewer than two trustees).

Subject to the Public Trustee Act 1906 and the rules made thereunder, the Public Trustee may accept any trust created by a trust instrument or arising upon an intestacy, except the trusts of any instrument made solely by way of security for money: Public Trustee Rules 1912, SR & O 1912/348, r 6(a), proviso. For these purposes, 'trust instrument' includes any instrument, Act of Parliament, or Order of Court by which a trust is created or declared: r 1. The Public Trustee may accept as incident to the office of trustee the guardianship of any beneficiary who is a minor, and, where the execution of a trust is involved, the office of agent or attorney for any person; and he may receive and apply any money or damages paid to him in pursuance of CPR 21.10, which relates to the compromise of claims by persons under disability: see the Public Trustee Rules 1912, SR & O 1912/348, r 6(b), (e). Quaere whether CPR 21.10 is properly to be regarded as a substitute for RSC 1883 Ord 22 r 15 (revoked) referred to in the Public Trustee Rules 1912, SR & O 1912/348, r 6(e).

The Public Trustee cannot be appointed either as a new or additional trustee where the will, settlement or other instrument creating the trust or duty contains a direction to the contrary, unless the court otherwise orders: Public Trustee Act 1906 s 5(3). For the meaning of 'court' see para 662 note 9 ante.

4 *Re Leslie's Hassop Estates* [1911] 1 Ch 611; *Re Moxon* [1916] 2 Ch 595 (appointment out of court); *Re Duxbury's Settlement Trusts* [1995] 3 All ER 145, [1995] 1 WLR 425, CA. Where the interests of the Public Trustee as trustee of one estate conflict with the interests as trustee of another, he has no greater power than a private trustee to make a bargain with himself, and he should apply to the court to obtain its sanction to any proposed compromise: *Re New Haw Estate Trusts* (1912) 107 LT 191.

5 Any notice or application required to be given or made for the purposes of the Public Trustee Act 1906 or the Public Trustee Rules 1912, SR & O 1912/348 (as amended), to the Public Trustee may be addressed to the Public Trustee at his office in London or, if the same relates to a trust or estate in course of administration or proposed to be administered from a branch office, then at that branch office: r 40(1). Any notice or application required to be given or made for the purposes of the Public Trustee Act 1906 or the Public Trustee Rules 1912, SR & O 1912/348 (as amended) to any person other than the Public Trustee may be addressed to that person at his last known place of abode or place of business: r 40(2). Any such notice or application may be delivered at the place to which it is addressed or may be served by post: r 40(3).

6 For the meaning of 'United Kingdom' see para 767 note 17 ante.

7 Public Trustee Act 1906 s 5(4). Failure to give any such notice does not invalidate any appointment made under s 5: see s 5(4). If any person to whom such notice has been given applies to the court within 21 days from the receipt of the notice, the court may make an order prohibiting the appointment being made, if having regard to the interests of all the beneficiaries it considers it expedient to do so: see s 5(4). See also *Re Hope Johnstone's Settlement Trusts* (1909) 25 TLR 369; *Re Claremont* (1910) unreported, but cited in *Re Firth, Firth v Loveridge* [1912] 1 Ch 806; *Re Drake's Settlement* [1926] WN 132 (where Romer J explained that observations attributed to Parker J in the headnote to *Re Hope Johnstone's Settlement Trusts* supra were not intended to be of general application). As to the power of guardians and receivers to act for minors or persons of unsound mind or incapable of managing their affairs, and as to the powers to appoint guardians for the purposes of proceedings, see the Public Trustee Rules 1912, SR & O 1912/348, r 41.

8 See ibid r 8(1), (2); and *Re Shaw, Public Trustee v Little* [1914] WN 141, CA. It is the duty of any person appointed by a testator to be a co-trustee with the Public Trustee, and not renouncing or disclaiming the trust, to give to the Public Trustee notice in writing of his appointment as soon as practicable after the same has come to his knowledge: Public Trustee Rules 1912, SR & O 1912/348, r 8(3). Upon receiving an application for his consent to act as trustee or as custodian trustee the Public Trustee may require to be produced to him the trust instrument, if any, and may require to be supplied to him a copy of that instrument and of any other document affecting the trust and such particulars as to the nature and value of any trust property and the liabilities, if any, attaching to that property, or the holder thereof, and the names and places of abode of any beneficiaries and trustees under the trust, and such other information relating to the trust as he may consider it desirable to obtain in any particular case: r 9.

As soon as may be after receiving any such application the Public Trustee must take into consideration upon such evidence as may appear to him sufficient: (1) the gross capital value of the property; (2) the mode of investment and the condition of the trust property; (3) the situation, tenure and character of any land comprised in the trust property; (4) any liabilities attaching to the trust property or the holder

thereof; (5) the duties incident to the office of trustee of the trust; (6) the places of abode and circumstances of any beneficiaries; and (7) all the circumstances of the case: r 10. The Public Trustee must decide whether the application ought to be accepted or refused and must give notice to the applicant of such acceptance or refusal and in the case of acceptance must in writing under his official seal signify his consent to act in the trust: r 10 (amended by SR & O 1916/489).

770. Retirement of co-trustee. Where the Public Trustee has been appointed a trustee of any trust[1], a co-trustee may retire from the trust[2], without the consents normally required[3] and notwithstanding that there are not more than two trustees[4].

1 For the meaning of 'trust' see para 766 note 12 ante.
2 Ie in accordance with the Trustee Act 1925 s 39 (as amended) (see para 891 post): see the Public Trustee Act 1906 s 5(2); and the Interpretation Act 1978 s 17(2)(a).
3 Ie required by the Trustee Act 1925 s 39 (as amended) (see para 891 post): see the Public Trustee Act 1906 s 5(2); and the Interpretation Act 1978 s 17(2)(a).
4 Public Trustee Act 1906 s 5(2).

771. Power to become legal personal representative. The court[1] having jurisdiction to do so may grant to the Public Trustee by that name, and the Public Trustee may accept by that name, probates of wills or letters of administration[2]. Notwithstanding that he has acted in the administration of the deceased's estate, any executor who has obtained probate or any administrator who has obtained letters of administration may, with the sanction of the court, and after such notice to the persons beneficially interested as the court may direct, transfer the estate to the Public Trustee for administration either solely or jointly with any continuing executors or administrators[3].

1 For the meaning of 'court' see para 662 note 9 ante.
2 See the Public Trustee Act 1906 s 6(1); and the Public Trustee Rules 1912, SR & O 1912/348, r 6(c). The Public Trustee is considered as in law entitled equally with any other person or class of persons to obtain the grant of letters of administration, save that the consent or citation of the Public Trustee is not required for the grant of letters of administration to any other person, and as between the Public Trustee and the widower, widow, surviving civil partner or next of kin of the deceased, they are to be preferred to him, unless good cause is shown to the contrary: Public Trustee Act 1906 s 6(1) (amended by the Civil Partnership Act 2004 s 71, Sch 4 para 6). For these purposes, 'letters of administration' means letters of administration of the estate and effects of a deceased person, whether general or with a will annexed, or limited either in time or otherwise: Public Trustee Act 1906 s 15. The Public Trustee may accept probate or letters of administration either as principal or as agent for any person: Public Trustee Rules 1912, SR & O 1912/348, r 6(c). As to probate see further EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 72 et seq.
3 Public Trustee Act 1906 s 6(2). Subject to the provisions of the Public Trustee Act 1906, the court order sanctioning the transfer confers on the Public Trustee all the powers of the transferring executor or administrator, and the transferring executor or administrator is not in any way liable in respect of any act or default in reference to the estate subsequent to the date of the order, other than an act or default of himself or of some person for whose conduct he is in law responsible: see s 6(2).

C. ADMINISTRATION OF SMALL ESTATES

772. Duty of the Public Trustee to undertake administration. Where an application to the Public Trustee to administer an estate of a deceased person[1] is made by a person who in the opinion of the Public Trustee would be entitled to apply to the court for an order for its administration by the court, and the Public Trustee is satisfied that its gross capital value is less than £1,000[2], and it appears to him that the persons beneficially entitled to it are persons of small means, he must administer the estate unless he sees good reason for refusing to do so[3].

1 See *Re Devereux, Toovey v Public Trustee* [1911] 2 Ch 545 at 548 per Eve J.
2 Ie at the time when the application is made, even if the original value was greater: see *Re Devereux, Toovey v Public Trustee* [1911] 2 Ch 545 at 550–551.

3 See the Public Trustee Act 1906 s 3(1). See also EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) paras 707–708. Upon receiving an application under s 3(1), the Public Trustee may require to be supplied to him such evidence as to the value of the estate, and the circumstances of the persons beneficially entitled, and such other information relating thereto as he may consider it desirable to obtain in any particular case: Public Trustee Rules 1912, SR & O 1912/348, r 12. If it is not proved to the satisfaction of the Public Trustee that the gross capital value of the estate is less than £1,000, or if it does not appear to him that the persons beneficially entitled are persons of small means, or if he sees any other good reason for refusing the application, he must refuse the same and must forthwith give notice to the applicant of such refusal: r 13(1). As to notices see para 769 note 5 ante. For the purposes of the administration the Public Trustee has, subject to the Public Trustee Rules 1912, SR & O 1912/348 (as amended), all the administrative powers and authorities exercisable by a master of the Supreme Court acting in the administration of an estate: Public Trustee Act 1906 s 3(3); and see the Public Trustee Rules 1912, SR & O 1912/348, r 14. A refusal under r 13 by the Public Trustee to administer the estate does not prevent him from exercising with respect to the estate any other powers exercisable by him under the Public Trustee Act 1906 or the Public Trustee Rules 1912, SR & O 1912/348 (as amended), which he may be duly appointed to exercise: see r 13(3). As from a day to be appointed, the Supreme Court is renamed the Senior Courts by the Constitutional Reform Act 2005 s 59(1) (not yet in force): see para 632 note 1 ante; and COURTS. At the date at which this volume states the law no such day had been appointed.

773. Effect of undertaking of administration. On the Public Trustee undertaking, by declaration in writing signed and sealed by him, to administer an estate, the trust property other than stock and the right to transfer or call for the transfer of stock forming part of the estate vest in him in like manner as if vesting orders for the purpose had been made[1] by the High Court[2]. As from such vesting, any trustee entitled under the trust to administer the estate is discharged from all liability attaching to the administration, except in respect of past acts[3]. The Public Trustee cannot himself exercise the right of transferring the stock without the leave of the court[4].

1 Ie under the Trustee Act 1925 (see para 869 et seq post): see the Public Trustee Act 1906 s 3(2); and the Interpretation Act 1978 s 17(2)(a).

2 See the Public Trustee Act 1906 s 3(2). The Trustee Act 1925 applies accordingly: Public Trustee Act 1906 s 3(2); Interpretation Act 1978 s 17(2)(a). In addition to making such a declaration, the Public Trustee must give notice to the applicant that the application is accepted, and must take such other steps as may be necessary or proper to enable him to administer the estate; and any person having the custody of the probate or letters of administration or other document relating to the estate must, upon the request in writing of the Public Trustee, deliver the same to him or as he directs: Public Trustee Rules 1912, SR & O 1912/348, r 13(2). As to notices see para 769 note 5 ante.

3 Public Trustee Act 1906 s 3(2).

4 Ibid s 3(2) proviso (a). The application for leave should be made by a claim form and not by an application under the Public Trustee Rules 1912, SR & O 1912/348, r 15 (as amended) (see para 774 post) and should be made without notice; no person need be served: *Re Wells, Re Public Trustee Act 1906* [1914] WN 404 (where the form of order approved by Eve J is set out). As to procedure generally see para 776 post.

774. Taking the opinion of the court. The Public Trustee may take the opinion of the High Court upon any question arising in the course of an administration without judicial proceedings[1]. Any such question must be submitted to such judge of the Chancery Division as specified and in such manner as that judge may direct[2]. Before giving his opinion the judge may require the attendance of, or communicate with, any person interested in the estate as trustee or beneficiary; but no such person has a right to be heard by the judge unless he otherwise directs[3]. The judge must give his opinion to the Public Trustee who must act in accordance with such opinion and must, upon the request in writing of any such interested person, communicate to him the effect of such opinion[4].

1 See the Public Trustee Act 1906 s 3(4); and the Public Trustee Rules 1912, SR & O 1912/348, r 15(1) (amended by SI 1983/1050).

2 Public Trustee Rules 1912, SR & O 1912/348, r 15(2) (substituted by SI 1983/1050).

3 Public Trustee Rules 1912, SR & O 1912/348, r 15(4).
4 Ibid r 15(5).

775. Order for administration by the Public Trustee. Where proceedings have been instituted in any court for the administration of an estate, and by reason of its small value it appears to the court that the estate can be more economically administered by the Public Trustee than by the court, or that for any other reason it is expedient that the estate should be administered by the Public Trustee instead of the court, the court may order that it be so administered[1].

1 See the Public Trustee Act 1906 s 3(5); and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 708. When such an order is made, the provisions of s 3 apply as if the administration of the estate had been undertaken by the Public Trustee in pursuance of those provisions: see s 3(5).

D. PROCEDURE

776. Procedure. All applications to the High Court under the Public Trustee Act 1906 must be made to a judge of the Chancery Division sitting in private[1]. An application to the High Court or a county court under the Public Trustee Act 1906 must be made by a claim form[2] or an application in existing proceedings[3].

1 CPR Sch 1 RSC Ord 93 r 2. This is without prejudice to the Public Trustee Act 1906 s 10(2) (cited in para 788 post) and s 13(7) (cited in para 778 note 3 post).
2 See CPR Pt 8; and para 643 ante.
3 See CPR Pt 23.

E. INVESTIGATION OF TRUST ACCOUNTS

777. Application for investigation and audit of accounts. On an application being made[1] and notice thereof given[2] by any trustee or beneficiary, the condition and accounts of any trust[3] must, unless the court[4] otherwise orders, be investigated and audited by such solicitor[5] or public accountant as may be agreed on by the applicant and the trustees or, in default of agreement, by the Public Trustee or some person appointed by him[6]. If within one month from the date of the application no solicitor or public accountant has been appointed by the applicant and the trustees to conduct the investigation and audit, there is deemed to be a default of agreement[7] and the applicant may apply to the Public Trustee accordingly[8].

Upon receiving any such application the Public Trustee may in his absolute discretion by notice to the applicant require that before a day to be specified in the notice such security (by deposit of a sum of money) as he deems sufficient is to be given to him by the applicant for the payment of any expenses of the investigation and audit which may be ordered by the Public Trustee to be paid by the applicant personally[9].

The Public Trustee may in his absolute discretion upon the application of any trustee or beneficiary direct that the investigation and audit are to extend only to a specified period of time or to a specified part of the trust property or are to be otherwise restricted[10].

1 Any such application must be made to the Public Trustee: Public Trustee Rules 1912, SR & O 1912/348, r 31. As to service of notices see para 769 note 5 ante.
2 Any notice of such an application must, unless the Public Trustee otherwise directs, be given by the applicant to every other person being a trustee or beneficiary under the trust: ibid r 31.
3 For the meaning of 'trust' see para 766 note 12 ante.
4 For the meaning of 'court' see para 662 note 9 ante.
5 As to references to a solicitor see para 766 note 14 ante.
6 See the Public Trustee Act 1906 s 13(1). Except with the leave of the court such an investigation and audit may not be required within 12 months after any such previous investigation or audit; and a trustee or beneficiary may not be appointed under s 13 to make an investigation or audit: s 13(1) proviso.

7 Ie within the meaning of ibid s 13(1): see the text and note 6 supra.
8 Public Trustee Rules 1912, SR & O 1912/348, r 34.
9 Ibid r 32(1). Where any such requirement is made, no further proceedings may be taken upon the application until the security has been given; and, if the same is not given before the day specified in the notice, the application must be disallowed unless under special circumstances the Public Trustee thinks fit to extend the time for giving the security or to dispense with it: r 32(2). Any sum so deposited must be kept by the Public Trustee on deposit in his name and in a separate account at a bank until all proceedings in connection with the investigation and audit have been concluded; and thereupon the deposited sum and the interest, if any, allowed on it by the bank must be applied in or towards payment of any expenses of the investigation and audit which may be so ordered to be paid by the applicant personally, and the balance, if any, must be paid to the applicant: see r 32(3).
10 Ibid r 33.

778. Auditor's powers. The person making the investigation or audit ('the auditor') has a right of access to the books, accounts and vouchers of the trustees and to any securities and documents of title held by them on account of the trust[1] and may require from them such information and explanation as may be necessary for the performance of his duties[2]. If any person having the custody of any documents to which the auditor has such a right of access fails or refuses to allow him to have access to them or in anywise obstructs the investigation or audit, the auditor may apply to the court[3] and thereupon the court may make such order as it thinks just[4].

1 For the meaning of 'trust' see para 766 note 12 ante.
2 Public Trustee Act 1906 s 13(2).
3 For the meaning of 'court' see para 662 note 9 ante. An application under or for the purposes of ibid s 13 must be made to a judge of the Chancery Division: s 13(7). See also para 776 ante.
4 Ibid s 13(6). See *Re Williams* (1910) 26 TLR 604.

779. Removal of auditor and appointment of new auditor. The auditor[1] may be removed by an order of the court; and, if any auditor is removed or resigns, dies or becomes bankrupt or incapable of acting before the investigation and audit are completed, a new auditor may be appointed in his place in like manner as the original auditor[2].

1 For the meaning of 'the auditor' see para 778 ante.
2 Public Trustee Act 1906 s 13(4).

780. Report and certificate of auditor. On the completion of the investigation and audit, the auditor[1] must forward to the applicant and to every trustee a copy of the accounts, together with a report on those accounts and a certificate signed by him to the effect that the accounts exhibit a true view of the state of the affairs of the trust, and that he has had the securities of the trust fund investments produced to and verified by him or, as the case may be, that such accounts are deficient in such respects as may be specified in his certificate[2].

Every beneficiary under the trust is entitled at all reasonable times to inspect and take copies of the accounts, report and certificate and, at his own expense, to be furnished with copies or extracts[3].

If any person in any statement of accounts, report or certificate required for these purposes wilfully makes a statement false in any material particular, he is liable on conviction to imprisonment or a fine or both[4].

1 For the meaning of 'the auditor' see para 778 ante.
2 Public Trustee Act 1906 s 13(2).
3 Ibid s 13(3).
4 See ibid s 13(8); and the Criminal Justice Act 1948 s 1(2). See also COMPANIES vol 7(1) (2004 Reissue) para 728. Such a person is liable on conviction on indictment to imprisonment for a term not exceeding two years or a fine or both, or on summary conviction to imprisonment for a term not exceeding six months or a fine or both: see s 13(8); and the Criminal Justice Act 1948 s 1(2).

781. Expenses of audit. The amount of the auditor's[1] remuneration and the other expenses[2] of the investigation and audit is such as may be determined by the Public Trustee; but he may refer the costs of any solicitor[3], being part of such expenses, for detailed assessment to a costs judge[4] and in such case the amount of such costs when assessed must be included in such expenses[5]. Unless the Public Trustee otherwise directs, the amount must be borne by the estate, but he may order it to be borne by the applicant or by the trustees personally, or partly by them and partly by the applicant[6].

1 For the meaning of 'the auditor' see para 778 ante.
2 For the meaning of 'expenses' see para 766 note 9 ante.
3 As to references to a solicitor see para 766 note 14 ante.
4 As from a day to be appointed, the Supreme Court is renamed the Senior Courts by the Constitutional Reform Act 2005 s 59(1) (not yet in force): see para 632 note 1 ante; and COURTS. At the date at which this volume states the law no such day had been appointed.
5 See the Public Trustee Act 1906 s 13(5); and the Public Trustee Rules 1912, SR & O 1912/348, r 35. Where any investigation or audit has been made, copies of the auditor's report and certificate under the Public Trustee Act 1906 s 13(2) (see para 780 ante) and such copies of accounts and other documents as the Public Trustee may require must be forwarded to him by the auditor and considered by the Public Trustee before giving any direction or making any order under s 13(5): Public Trustee Rules 1912, SR & O 1912/348, r 36(1). The expense of making and forwarding any such copies and the fee of the Public Trustee (within the limits prescribed by or in pursuance of any order relating to the fees of the Public Trustee for the time being in force) are, for the purposes of the Public Trustee Act 1906 s 13(5), part of the expenses of the investigation and audit: Public Trustee Rules 1912, SR & O 1912/348, r 36(2).

Before making any order under the Public Trustee Act 1906 s 13(5), the Public Trustee must, if any of the parties interested so desire, hear those parties in such manner as he thinks fit: Public Trustee Rules 1912, SR & O 1912/348, r 37(1). Any such order must specify the person by or to whom any sum is to be paid and its amount; however, such an order may direct payment of the taxed costs of any solicitor employed in connection with the investigation and audit, and such costs must be paid as if such amount had been specified in the order: r 37(2). Any such order may be enforced in the same manner as a judgment or order of the court to the same effect: r 37(3). The costs of wholly unnecessary applications may be directed to be paid by the applicant: *Re Utley, Russell v Cubitt* [1912] WN 147. A person ordered to pay costs may appeal from the order: *Re Oddy* [1911] 1 Ch 532.
6 Public Trustee Act 1906 s 13(5).

F. CONDUCT OF BUSINESS

782. The register. There must be kept at the Central Office in London of the Public Trustee such registers and other books as are required for recording or entering in a convenient form as to each trust or estate which the Public Trustee is administering the following particulars[1]:

(1) the date of the acceptance of the trust or of his declaration[2];
(2) particulars of the trust property from time to time[3];
(3) the names and place of abode of the person in receipt of the income of the trust property[4];
(4) a reference to any notice received of any dealing with any beneficial interest in the trust property and of any exercise or release of any power relating to the trust or estate[5];
(5) an entry of any decision or opinion of the High Court in respect of the trust or estate[6];
(6) such entries of his decisions and such other particulars as the Public Trustee may think fit[7].

These particulars must be recorded or entered accordingly[8].

Upon an application in writing by or with the authority of any person interested in the trust property the Public Trustee must[9]:

(a) permit the applicant or his solicitor[10] or other authorised agent to inspect and

take copies of any entry in any register or book relating to the trust or estate and, so far as the interest of the applicant in the trust property is or may be affected thereby, of any account, notice or other document in the custody of the Public Trustee[11];

(b) at the expense of the applicant supply him or his solicitor or other authorised agent with a copy of any such entry, account, notice or document or with any extract therefrom[12];

(c) give to the applicant or his solicitor or other authorised agent such information respecting the trust or estate and the trust property as may be reasonably requested in the application and is within the power of the Public Trustee[13].

Subject to these provisions the Public Trustee must observe strict secrecy in respect of every trust or estate in course of administration by him[14].

1 Public Trustee Rules 1912, SR & O 1912/348, r 16.
2 Ibid r 16(a). The reference in the text is to declarations made under the Public Trustee Act 1906 s 3(2): see para 773 ante.
3 Public Trustee Rules 1912, SR & O 1912/348, r 16(b).
4 Ibid r 16(c).
5 Ibid r 16(d).
6 Ibid r 16(e).
7 Ibid r 16(f).
8 Ibid r 16.
9 Ibid r 29(1).
10 As to references to a solicitor see para 766 note 14 ante.
11 Public Trustee Rules 1912, SR & O 1912/348, r 29(1)(a).
12 Ibid r 29(1)(b).
13 Ibid r 29(1)(c).
14 Ibid r 29(2).

783. Accounts, payments etc. Separate accounts must be kept for every trust or estate[1]; and a separate account must be kept of the capital of the trust property and of the mode in which it is from time to time invested, and all dealing with such capital must be entered in the account[2]. A separate account must be kept of the income of the trust property, if received by the Public Trustee, and of the mode in which it is from time to time dealt with by the Public Trustee[3].

The Public Trustee may[4]:

(1) invest or retain invested money belonging to any trust or estate and coming into his hands in any mode of investment expressly or implicitly authorised by the trust instrument or, if there is no trust instrument, authorised by law for the investment of trust funds[5];

(2) pay and deposit such money in court for investment[6];

(3) if authorised by the trust instrument or otherwise by law, retain any investment existing at the date of the commencement of the trust[7].

He may not, however, invest in or hold any investment in such manner as to expose him to liability as the holder thereof, unless he is satisfied that he is fully indemnified or secured against loss[8].

All payments of money to or from the capital of the trust property must be made through the bank to the trust or estate[9].

All sums payable out of the income or capital of the trust properly must be made by a cheque on the Bank of England[10] bearing a signature or a facsimile signature of an officer of the Public Trustee authorised in writing by him to act in that behalf or a cheque on a bank signed by not less than two persons, namely[11]:

(a) by the Public Trustee and a co-trustee[12]; or

(b) by the Public Trustee and an officer of the Public Trustee authorised in writing by him to act in that behalf, either generally or in any particular case[13]; or

(c) by a co-trustee and one such duly authorised officer[14]; or

(d) by two such duly authorised officers[15].

However, in any particular case the Public Trustee may authorise the payment of income by the person liable to pay the same direct to the person entitled to receive the same or to his bank[16].

The income of the trust property may be paid to the person for the time being entitled to receive the same either through a bank or direct[17].

If the special circumstances of the case appear to him to render it desirable, the Public Trustee may pay to any other trustee of the trust or allow him to receive the income of the trust property or any part of it on that trustee undertaking to apply it in the manner directed by the trust[18].

The Public Trustee may make advances for the purposes of any trust or estate in the course of administration or about to be administered by him out of any moneys which may be placed at his disposal by the Treasury for that purpose, and upon such terms as he may think proper[19].

The Public Trustee may at any time require a statutory declaration or other sufficient evidence that a person is alive and is the person to whom any money or property is payable or transferable, and may refuse payment or transfer until such declaration or evidence is produced[20].

The accounts of the Public Trustee must be audited and the securities held by him must be verified from time to time by such person or persons as the Treasury may appoint in accordance with regulations made by the Treasury[21].

1 Public Trustee Rules 1912, SR & O 1912/348, r 19(1).
2 Ibid r 19(2).
3 Ibid r 19(3).
4 Ibid r 17 (substituted by SI 1987/2249).
5 Public Trustee Rules 1912, SR & O 1912/348, r 17(a) (as substituted: see note 4 supra). For the meaning of 'trust instrument' for these purposes see para 769 note 3 ante. As to the power to invest see para 1007 et seq post.
6 Ibid r 17(b) (as substituted: see note 4 supra). The payment or deposit into court must be made in a manner authorised by rules made under the Administration of Justice Act 1982 s 38(7): see PRACTICE AND PROCEDURE vol 37 (Reissue) para 1381.
7 Public Trustee Rules 1912, SR & O 1912/348, r 17(c) (as substituted: see note 4 supra).
8 Ibid r 17 proviso (as substituted: see note 4 supra). As to the general deposit fund for money awaiting investment or distribution see para 790 post.
9 Ibid r 20.
10 As to the Bank of England see BANKING vol 3(1) (2005 Reissue) para 103 et seq.
11 Public Trustee Rules 1912, SR & O 1912/348, r 22 (amended by SI 1983/1050).
12 Public Trustee Rules 1912, SR & O 1912/348, r 22(a).
13 Ibid r 22(b).
14 Ibid r 22(c).
15 Ibid r 22(d).
16 Ibid r 22 proviso.
17 Ibid r 23(1); and see the Married Women (Restraint upon Anticipation) Act 1949 s 1(1), (2) (amended by the Statute Law (Repeals) Act 1975). Where authority is given to any corporation or bank to pay income to any person, the books of that corporation or bank showing the payment of that income in accordance with that authority is a sufficient discharge to the Public Trustee: Public Trustee Rules 1912, SR & O 1912/348, r 23(2). Where authority is given to any person to pay any income to the bank of the person entitled, the certificate of that bank stating the receipt of that income is a sufficient discharge to the Public Trustee: r 23(3). Where any person is solely entitled to receive any income, the Public Trustee may, on the request in writing of that person, authorise that person for such period as the Public Trustee may think fit to collect or arrange for the collection of such income; and during the continuance of any such authority such request in writing is a sufficient discharge to the Public Trustee in respect of such income: r 23(4); and see the Married Women (Restraint upon Anticipation) Act 1949 s 1(1), (2) (as so amended).
18 Public Trustee Rules 1912, SR & O 1912/348, r 24.
19 Ibid r 25. As to the Treasury see CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) paras 512–517.

20 Ibid r 27. See also *Re Wilson* [1964] 1 All ER 196, [1964] 1 WLR 214. Where a person appearing to be beneficially entitled to any sum of money under the trust or to be interested in the trust property cannot be found or it is not known whether he is living or dead, the Public Trustee may apply to the court for directions as to the course to be taken with reference to that person and, until a court order is made, must keep any sum payable to that person, and, if it is kept for more than six months, must invest it or deposit it at interest and accumulate the dividends or interest: Public Trustee Rules 1912, SR & O 1912/348, r 28.

If the rules require a declaration to be made for any purpose, a person who makes such a declaration, knowing it to be untrue in any material particular, is guilty of an offence: Public Trustee Act 1906 s 14(3). See also COMPANIES vol 7(1) (2004 Reissue) para 728.

21 Public Trustee Rules 1912, SR & O 1912/348, r 38.

784. Custody of documents. The securities and documents belonging or relating to a trust or estate which the Public Trustee is administering must, if under his control, be kept at the bank to the trust or estate or at some other safe place of deposit allowed generally or specially by the Treasury, so far as the convenience of business will admit[1]. All orders for the withdrawal of securities or documents from any such bank or other place of deposit must be signed by not less than two persons, namely[2]:

(1) by the Public Trustee and a co-trustee[3]; or
(2) by the Public Trustee and an officer of the Public Trustee authorised in writing by him to act in that behalf, either generally or in any particular case[4]; or
(3) by a co-trustee and one such duly authorised officer[5]; or
(4) by two such duly authorised officers[6].

1 Public Trustee Rules 1912, SR & O 1912/348, r 18(1). As to the Treasury see CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) paras 512–517.
2 Ibid r 18(2).
3 Ibid r 18(2)(a).
4 Ibid r 18(2)(b).
5 Ibid r 18(2)(c).
6 Ibid r 18(2)(d).

785. Execution of documents. In all cases where any deed or other instrument requires to be executed by the Public Trustee under his official seal, the affixing of the seal may be authenticated by the signature either of the Public Trustee or of some officer of the Public Trustee duly authorised by the Public Trustee in that behalf under his seal; and any deed or other instrument purporting to be a deed or instrument executed by the Public Trustee and to be sealed with his seal authenticated in the above manner must be received in evidence and is deemed to be a deed or instrument so executed without further proof unless the contrary is shown[1].

1 Public Trustee Rules 1912, SR & O 1912/348, r 21 (substituted by SR & O 1916/489). As to the execution of deeds generally see DEEDS AND OTHER INSTRUMENTS.

786. Dealings with the Public Trustee not notice of trust. The entry of the Public Trustee by that name in the books of a company does not constitute notice of a trust; and a company is not entitled to object to enter the name of the Public Trustee on its books by reason only of his being a corporation, and in dealings with property the fact that the person or one of the persons dealt with is the Public Trustee does not of itself constitute notice of a trust[1].

1 Public Trustee Act 1906 s 11(5).

787. Employment of solicitors and other agents. The Public Trustee may employ for the purpose of any trust such solicitors[1], bankers, accountants, brokers or other persons as he may consider necessary[2]. In determining the persons to be so employed in relation to any trust, he must have regard to the interests of the trust, but

subject to this, he must, whenever practicable, take into consideration the wishes of the creator of the trust and of the other trustees, if any, and of the beneficiaries, either expressed or as implied by the practice of the creator of the trust or in the previous management of the trust[3].

1 As to references to a solicitor see para 766 note 14 ante.
2 Public Trustee Act 1906 s 11(2). Subject to the provisions of the Public Trustee Act 1906 and the Public Trustee Rules 1912, SR & O 1912/348 (as amended), and to the terms of any particular trust, the Public Trustee may, in the administration of any trust or estate, take and use professional advice and assistance in regard to legal and other matters and may act on credible information (although less than legal evidence) as to matters of fact: r 26. Any officer of the Public Trustee who is authorised by him in writing in that behalf may take any oath, make any declaration, verify any account and give personal attendance at any court or place, but this does not confer upon any person not otherwise entitled any right of audience before a court or tribunal or any right to do any act which could otherwise only lawfully be done by a barrister or solicitor: see the Public Trustee Act 1906 s 11(3); and the Public Trustee Rules 1912, SR & O 1912/348, r 39.
3 Public Trustee Act 1906 s 11(2).

788. Right of appeal. A person aggrieved[1] by any act or omission or decision of the Public Trustee in relation to any trust may apply to the court[2], and the court may make such order in the matter as it thinks just[3]. Such an application to the High Court must be made to a judge of the Chancery Division[4].

1 For the meaning of 'person aggrieved' see *Re Wilson* [1964] 1 All ER 196 at 198, [1964] 1 WLR 214 at 216. See also ADMINISTRATIVE LAW vol 1(1) (2001 Reissue) paras 41, 66.
2 For the meaning of 'court' see para 662 note 9 ante.
3 Public Trustee Act 1906 s 10(1). See also *Re Oddy* [1911] 1 Ch 532. The discharge by the Public Trustee of any functions under the Public Trustee and Administration of Funds Act 1986 s 3 (see para 767 ante) is not to be treated as the discharge of the duties of his office for the purposes of the Public Trustee Act 1906 s 10: Public Trustee and Administration of Funds Act 1986 s 3(6)(c).
4 Public Trustee Act 1906 s 10(2). As to procedure in the High Court generally see para 776 ante.

G. DISCHARGE OF LIABILITIES

789. Discharge of liabilities. It would appear that, in accordance with modern financial practice, the Lord Chancellor will meet from his Estimate[1] any personal liability incurred by the Public Trustee in that capacity[2].

1 As to the Lord Chancellor's Estimate see PARLIAMENT vol 34 (Reissue) para 957. As to the Lord Chancellor see CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) para 477 et seq.
2 The Public Trustee Act 1906 s 7 (repealed) formerly imposed on the Consolidated Fund of the United Kingdom liability to make good all sums required to discharge any liability which the Public Trustee, if he were a private trustee, would be personally liable to discharge, without making any specific provision to replace it: see the explanatory notes to the Public Trustee (Liability and Fees) Act 2002 s 1. As to the Consolidated Fund see CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) para 711 et seq; PARLIAMENT vol 34 (Reissue) paras 952–955.

H. REMUNERATION

790. Salary and fees. The Public Trustee must be paid such salary or fees as the Lord Chancellor determines with the consent of the Treasury[1]; and such fees are chargeable in respect of the Public Trustee's duties as the Lord Chancellor may fix[2]. These fees are fixed by fees orders made by statutory instrument[3]. Every fees order must indicate, with respect to every fee fixed by the order, whether it is payable out of capital or income[4]. Where, however, a fees order provides that a fee is to be payable out of capital and it appears to the Public Trustee that there are special reasons in the case of a particular trust fund[5] which render it expedient that the fee should be paid out of income, he may direct that the fee in that case is to be payable out of income[6].

The Public Trustee is authorised to maintain a general deposit fund or deposit in banks and in the National Savings Bank[7], to include in this fund or deposit such trust moneys as he thinks fit, being moneys awaiting investment or distribution, and to credit a part[8] of the interest to the trusts and treat the remainder as fees[9].

No reward other than the permitted fees may be taken by the Public Trustee or any of his officers for discharging the duties of the office[10].

1 See the Public Trustee Act 1906 s 8(1A) (as added); and para 766 ante. As to the Lord Chancellor see CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) para 477 et seq. As to the Treasury see CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) paras 512–517.

2 See ibid s 9(1) (amended by Public Trustee (Liability and Fees) Act 2002 s 2(1)(a)). The discharge by the Public Trustee of any functions under the Public Trustee and Administration of Funds Act 1986 s 3 is not to be treated as the discharge of the duties of his office for the purposes of the Public Trustee Act 1906 s 9 (as amended): Public Trustee and Administration of Funds Act 1986 s 3(6)(b).

The fees must be applied as an appropriation in aid of money provided by Parliament for expenses under the Public Trustee Act 1906 and, so far as not so applied, must be paid into the Exchequer: s 9(3) (amended by the Public Trustee (Liability and Fees) Act 2002 s 2(1)(b)). Any expenses which might be retained or paid out of the trust property if the Public Trustee were a private trustee are to be so retained or paid, and the fees are to be retained or paid in the like manner as and in addition to such expenses: Public Trustee Act 1906 s 9(2). For the meaning of 'private trustee' see para 769 note 2 ante. The incidence of any expenses retained or paid under these provisions as between capital and income must be determined by the Public Trustee: s 9(5) (amended by the Public Trustee (Fees) Act 1957 s 1(5)). As to the incidence of fees between capital and income see the text and notes 3–5 infra.

3 See the Public Trustee (Fees) Act 1957 s 1(1) (amended by the Public Trustee (Liability and Fees) Act 2002 s 2(3)). Subject to the provisions of the Public Trustee (Fees) Act 1957, any fees order may contain such incidental and supplementary provisions as may appear to the Lord Chancellor to be necessary or expedient for the purposes of the order: s 1(1) (as so amended). As to the current fees order see the Public Trustee (Fees) Order 1999, SI 1999/855 (as amended); and para 791 post.

4 Public Trustee (Fees) Act 1957 s 1(2).

5 For these purposes, 'trust fund' includes any part of a trust fund, and also includes an estate administered by the Public Trustee and any part of such an estate; and 'trust' includes an executorship or administratorship, and also includes the administration of an estate in pursuance of the Public Trustee Act 1906 s 3 (see para 772 et seq ante), and any reference to the acceptance of a trust is to be construed accordingly: Public Trustee (Fees) Act 1957 s 3(1). Otherwise, expressions used both in the Public Trustee (Fees) Act 1957 and in the Public Trustee Act 1906 have the same meaning in the former Act as in the latter: Public Trustee (Fees) Act 1957 s 3(2).

6 See ibid s 1(3). If, however, a person of full age is for the time being beneficially entitled in possession to the income of the trust fund, being so entitled directly under the trust in relation to which the fee is payable and not by virtue of a derivative settlement, the Public Trustee must not give such a direction except with the consent in writing of that person: s 1(3) proviso. The power conferred by s 1(3) applies to any trust whenever accepted by the Public Trustee: s 1(4).

7 As to the National Savings Bank see BANKING vol 3(1) (2005 Reissue) para 120 et seq. See also MONEY.

8 See the Public Trustee (General Deposit Fund) Act 1939 preamble.

9 See ibid preamble, s 1(3). The establishment of the fund and the dealings of the Public Trustee with it were retrospectively legalised by s 1(1).

10 See the Public Trustee Act 1906 s 11(1).

791. Particular fees payable. On accepting a trust the Public Trustee is entitled to charge an acceptance fee[1]. Thereafter, he is entitled to charge an administration fee at the commencement of each financial year, but no administration fee is payable in respect of the period between the date of acceptance of a trust and the commencement of the next financial year[2]. The administration fee is payable in 12 equal instalments to be paid on the 1st of each month in any financial year[3]. However, where during any financial year the Public Trustee ceases to act in any estate or trust, any remaining instalments due for that financial year cease to be payable[4].

A withdrawal fee is payable[5]: (1) upon the Public Trustee ceasing to act: (a) as trustee or manager of any specified scheme or funds[6] whether upon retirement or otherwise; or (b) other than on retirement, in any estate or trust; or (2) upon the withdrawal or distribution of any part of the estate or the trust property or of the capital of such

scheme or fund[7]. The Public Trustee is entitled to charge fees for special services[8]. He is authorised to compromise any dispute about his right to a fee or about the amount due[9], and to remit fees in certain cases[10]; and may, if it appears just and reasonable, agree to postpone the payment of any fee[11]. General provision is made for valuing trust property for ascertaining the amount of fees[12]. Where the Public Trustee accepts an executorship, fees are charged on a different basis and are known as executorship fees[13].

Provision is made for an additional fee to be charged to enable the Public Trustee to be reimbursed in respect of value added tax[14].

Fees are generally paid out of capital, although some are paid out of income[15].

1 As to acceptance fees see the Public Trustee (Fees) Order 1999, SI 1999/855, Pt III (arts 12–15) (as amended: see paras 772–774 ante). The Public Trustee is not, however, entitled to charge an acceptance fee: (1) where the trust consists entirely of an annuity or other terminable payment purchased by any person in the name of, transferred to or covenanted to be paid by the Public Trustee for the benefit of some other person; or (2) in respect of any estate which the Public Trustee accepts as executor on or after 1 April 1977 during the period he so acts: see art 12. As to fees for additional work see art 27; and note 8 infra. For special provision as to additional property coming to a trust and property not in possession or not readily realisable see arts 13, 14. As to the amount of the acceptance fee see art 15.

2 See ibid art 16(1) (substituted by SI 2007/681). As to the amount of the administration fee see the Public Trustee (Fees) Order 1999, SI 1999/855, arts 17, 18 (art 17 amended by SI 2003/690, SI 2004/799, SI 2005/351, SI 2007/681).

3 Public Trustee (Fees) Order 1999, SI 1999/855, art 16(1) (substituted by SI 2007/681).

4 Public Trustee (Fees) Order 1999, SI 1999/855, art 16(2) (added by SI 2007/681).

5 Public Trustee (Fees) Order 1999, SI 1999/855, art 19 (amended by SI 2003/690). As to the amount of the withdrawal fee see the Public Trustee (Fees) Order, SI 1999/855, art 20 (amended by SI 2003/690, SI 2004/799, SI 2007/681).

6 Public Trustee (Fees) Order 1999, SI 1999/855, art 19(a) (substituted by SI 2007/681). The specified schemes or funds are those under the Public Trustee (Fees) Order 1999, SI 1999/855, Pt VII (art 30) (superannuation schemes and friendly societies): see note 8 infra.

7 Ibid art 19(b) (amended by SI 2003/690). In the case of the Public Trustee (Fees) Order 1999, SI 1999/855, art 19(b), however, no withdrawal fee is payable where: (1) the Public Trustee ceases to act as executor of an estate in respect of which an executorship fee is payable (art 19(b)(i)); (2) trust property held upon a declaration of trust in favour of one beneficiary only is withdrawn for the purposes of transfer to a new executorship or a new trust accepted by the Public Trustee (art 19(b)(ii)); (3) the Public Trustee is acting other than as trustee or manager of any scheme or fund under Part VII and the trust or estate has a total value of £30,000 or less on 31 March 2004 (art 19(b)(iii) (substituted by SI 2004/799)); or (4) trust property or capital of a scheme or fund under the Public Trustee (Fees) Order, SI 1999/855, Pt VII is withdrawn for the purpose of paying any fees prescribed by the Public Trustee (Fees) Order, SI 1999/855 (as amended) (art 19(b)(iv) (amended by SI 2003/690)).

8 See the Public Trustee (Fees) Order, SI 1999/855, Pt VI (arts 21–29). These fees are: (1) insurance fees (see art 21); (2) stockbroker's commission fees (see art 22); (3) audit fees (see art 23); (4) income collection fees (see art 24 (amended by SI 2005/351)); (5) investigation fees (see the Public Trustee (Fees) Order, SI 1999/855, art 25); (6) fees for agency work (see art 26); (7) fees for additional work (see art 27); (8) registration and inquiry fees (see art 28); and (9) fees for registration of documents in respect of deceased persons and searches of the register (see art 29 (amended by SI 2003/690)). A management fee is payable where the Public Trustee is acting as trustee of a superannuation scheme or is managing funds on behalf of the trustees of a friendly society: see the Public Trustee (Fees) Order, SI 1999/855, art 30 (amended by SI 2003/351, SI 2003/690).

9 Public Trustee (Fees) Order, SI 1999/855, art 7(2)(a) (amended by SI 2002/2232).

10 The Public Trustee may remit so much as appears to him equitable of any fee payable in respect of any estate or trust where the whole or any part of the property is in another estate or trust in which he is acting: Public Trustee (Fees) Order, SI 1999/855, art 7(1). The Public Trustee may remit the whole or part of any fee where it appears equitable to do so having regard to the nature and character of the estate or trust, the work in respect of which the fee is charged and the impact of the fee upon any beneficiary: art 7(2)(b) (substituted by SI 2003/690).

11 Public Trustee (Fees) Order, SI 1999/855, art 5. As to his power to commute fees see art 6. For an instance of a commutation (subsequently readjusted) see *Re Bentley, Public Trustee v Bentley* [1914] 2 Ch 456.

12 See the Public Trustee (Fees) Order 1999, SI 1999/855, art 4.

13 See ibid Pt II (arts 8–11) (as amended). See also EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 44.

14 See ibid art 31.
15 Ibid art 3. The following fees are paid out of income: (1) fees which the Public Trustee directs to be paid out of income by virtue of the Public Trustee (Fees) Act 1957 s 1(3) (see para 790 ante); (2) the administration fee in cases to which the Public Trustee (Fees) Order 1999, SI 1999/855, art 18 applies (see note 2 supra); (3) the insurance fee provided for by art 21 (see note 8 supra); (4) the income collection fee provided for by art 24 (see note 8 supra); (5) the management fees provided for by art 30 (see note 8 supra); (6) the value added tax fee provided for by art 31 (see the text and note 14 supra), in cases where the fee in respect of which the value added tax fee is payable is itself payable out of income: art 3.

(iv) Custodian Trustees

792. The Public Trustee. Subject to rules under the Public Trustee Act 1906[1], the Public Trustee may, if he consents to act as such[2], and whether or not the number of trustees has been reduced below the original number, be appointed to be custodian trustee of any trust[3]:

(1) by order of the court[4] made on the application of any person on whose application the court may order the appointment of a new trustee[5]; or
(2) by the testator, settlor or other creator of any trust[6]; or
(3) by the person having power to appoint new trustees[7].

1 The Public Trustee may accept as custodian trustee any trust created or declared by any trust instrument other than trusts of any instrument made solely by way of security for money: Public Trustee Rules 1912, SR & O 1912/348, r 6(d), proviso. For the meaning of 'trust instrument' for these purposes see para 769 note 3 ante. As to the inability of the Public Trustee to accept any trusts exclusively for religious or charitable purposes see para 767 ante; and as to his power to act in a trust involving the management or carrying on of a business see para 767 ante.
2 In the case of the appointment of the Public Trustee by a testator, his subsequent consent, and, in every other case, his previous consent, to act is requisite: see ibid r 8(1), (2); and para 769 ante.
3 Public Trustee Act 1906 s 4(1). For the meaning of 'trust' see para 766 note 12 ante.
4 For the meaning of 'court' see para 662 note 9 ante.
5 Public Trustee Act 1906 s 4(1)(a). As to the appointment of new trustees generally see para 818 et seq post.
6 Ibid s 4(1)(b).
7 Ibid s 4(1)(c). As to the duty to notify the Public Trustee of his appointment by a testator, his right to require documents and information, and his duty to notify his consent or refusal see the Public Trustee Rules 1912, SR & O 1912/348, rr 8(3), 9, 10; and para 769 note 8 ante.

793. Other trust corporations. The statutory provisions relating to custodian trustees[1] apply in like manner as to the Public Trustee to any banking or insurance company or other body corporate entitled by rules made under the Public Trustee Act 1906[2] to act as custodian trustee, with power for such company or body corporate to charge and retain or pay out of the trust property fees not exceeding the fees chargeable by the Public Trustee as custodian trustee[3]. Unlike the Public Trustee, such a company or corporation may act as custodian trustee of real, leasehold or personal estate devised or bequeathed exclusively for religious or charitable purposes[4].

1 Ie the Public Trustee Act 1906 s 4.
2 See the Public Trustee Rules 1912, SR & O 1912/348 (as amended); and para 794 post.
3 Public Trustee Act 1906 s 4(3). As to fees of the Public Trustee generally see paras 790–791 ante.
4 *Re Cherry's Trusts, Robinson v Wesleyan Methodist Chapel Purposes Trustees* [1914] 1 Ch 83. As to the inability of the Public Trustee to accept any trusts exclusively for religious or charitable purposes see para 767 ante.

794. Corporations entitled to act as custodian trustee. Any corporation may act as custodian trustee[1] which is:

(1) constituted under the law of the United Kingdom[2] or of any part of it, or under the law of any other member state of the European Community or any part of

it[3], and which is empowered by its constitution to undertake trust business[4], has one or more places of business in the United Kingdom[5], and is:

(a) a company incorporated by special Act of Parliament or royal charter[6]; or

(b) a company registered (with or without limited liability) under the Companies Act 1985[7] or under the Companies (Northern Ireland) Order 1986[8] or in another member state of the European Community, and having a capital (in stock or shares) for the time being issued of not less than £250,000 (or its equivalent in the currency of the state where the company is registered) of which not less than £100,000 (or its equivalent) has been paid up in cash[9]; or

(c) a company registered without limited liability under the Companies Act 1985 or the Companies (Northern Ireland) Order 1986 or in another member state of the European Community and of which one of the members is a company within any of the classes defined above[10];

(2) a corporation incorporated by special Act or royal charter[11] or under the Charities Act 1993[12] which is empowered by its constitution to act as a trustee for any charitable purposes, but only in relation to trusts in which its constitution empowers it to act[13];

(3) a corporation constituted under the law of the United Kingdom or of any part of it and having its place of business there, and which is either[14]:

(a) established for the purpose of undertaking trust business for the benefit of Her Majesty's navy, army, air force or civil service or of any unit, department, member or association of members of any one or more of those services, and having among its directors or members any persons appointed or nominated by the Defence Council or any department of state or any one or more of those departments[15]; or

(b) authorised by the Lord Chancellor to act in relation to any charitable, ecclesiastical or public trusts as a trust corporation, but only in connection with any such trust as is so authorised[16];

(4) a strategic health authority, health authority or special health authority or a preserved board[17], but only in relation to any trust which the authority is authorised to accept[18];

(5) the British Gas Corporation[19] or any subsidiary of it[20], but only in relation to pension schemes or funds established or maintained by it[21];

(6) the London Transport Executive[22], but only in relation to a pension scheme or fund established or administered by it[23];

(7) the Common Council of the City of London[24], a London borough council[25], a county council, district council, parish council or community council[26], and the Council of the Isles of Scilly[27], but only in relation to any property for the time being held upon any charitable or public trusts (other than trusts for an ecclesiastical charity or for a charity for the relief of poverty) for the benefit of the inhabitants of the area of the local authority concerned and its neighbourhood or of any part of that area[28];

(8) a metropolitan district council or a non-metropolitan county council[29], a London borough council[30], the Common Council of the City of London[31] and the Council of the Isles of Scilly[32], but only in relation to trusts for children in their care or persons occupying residential accommodation provided by them under the community care legislation[33];

(9) the Coal Corporation or any subsidiary of it, but only in relation to certain schemes or arrangements[34];

(10) a corporation acting as trustee of the trusts of any pension scheme or pension fund established or maintained by the British Broadcasting Corporation, but only in relation to those trusts[35];

(11) any corporation appointed by the Secretary of State[36] as a trustee of a coal industry scheme[37] for purposes relating to pensions, gratuities or other like benefits and in relation to which provision is, or has been, made[38] for the scheme to continue in force[39], but only in relation to such a scheme[40].

The Treasury Solicitor may act as a custodian trustee[41].

Where property is vested in the Official Custodian[42] in trust for a charity, he has as trustee of any property all the same powers, duties and liabilities, and is entitled to the same rights and immunities, and is subject to the same control and orders of the court, as a corporation appointed custodian trustee[43], except that he has no power to charge fees[44].

1 Public Trustee Rules 1912, SR & O 1912/348, r 30(1)(b) (r 30(1) substituted by SI 1975/1189; and renumbered by SI 1981/358).
2 For the meaning of 'United Kingdom' see para 767 note 17 ante.
3 Public Trustee Rules 1912, SR & O 1912/348, r 30(1)(b)(i) (as substituted and renumbered: see note 1 supra). See *Re Bigger* [1977] Fam 203, [1977] 2 All ER 644.
4 Public Trustee Rules 1912, SR & O 1912/348, r 30(1)(b)(ii) (as substituted and renumbered: see note 1 supra). For these purposes, 'trust business' means the business of acting as trustee under wills and settlements and as executor and administrator: r 30(1)(b)(ii) (as so substituted and renumbered).
5 Ibid r 30(1)(b)(iii) (as substituted and renumbered: see note 1 supra).
6 Ibid r 30(1)(b)(iv) (as substituted and renumbered: see note 1 supra). See also COMPANIES vol 7(1) (2001 Reissue) para 201.
7 See COMPANIES vol 7(1) (2001 Reissue) para 221 et seq.
8 Ie the Companies (Northern Ireland) Order 1986, SI 1986/1032.
9 Public Trustee Rules 1912, SR & O 1912/348, r 30(1)(b)(iv) (as substituted and renumbered: see note 1 supra); Interpretation Act 1978 s 17(2)(b).
10 Public Trustee Rules 1912, SR & O 1912/348, r 30(1)(b)(iv) (as substituted and renumbered: see note 1 supra); Interpretation Act 1978 s 17(2)(b). The capital may be vested in or held in trust for another company on an amalgamation: *Re Skinner* [1958] 3 All ER 273, [1958] 1 WLR 1043.
11 See CORPORATIONS vol 9(2) (2006 Reissue) para 1129.
12 See CHARITIES vol 5(2) (2001 Reissue) paras 219, 236.
13 Public Trustee Rules 1912, SR & O 1912/348, r 30(1)(c) (as substituted and renumbered: see note 1 supra); Interpretation Act 1978 s 17(2)(b).
14 Public Trustee Rules 1912, SR & O 1912/348, r 30(1)(d) (as substituted and renumbered: see note 1 supra).
15 Ibid r 30(1)(d)(i) (as substituted and renumbered: see note 1 supra). See ARMED FORCES. As to the Defence Council see ARMED FORCES vol 2(2) (Reissue) para 2; CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) para 443 et seq.
16 Ibid r 30(1)(d)(ii) (as substituted and renumbered: see note 1 supra). As to the Lord Chancellor see CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) para 477 et seq.
17 As to strategic health authorities and health authorities established under the National Health Service Act 1977 s 8 (as substituted) and special health authorities established under s 11 (as substituted) see NATIONAL HEALTH SERVICE. The preserved boards referred to in the text are those defined by the National Health Service Reorganisation Act 1973 s 15(6) (repealed): see NATIONAL HEALTH SERVICE vol 33 (Reissue) para 16.
18 See the Public Trustee Rules 1912, SR & O 1912/348, r 30(1)(e) (as substituted and renumbered (see note 1 supra); and amended by SI 1984/109; SI 2002/2469).
19 The British Gas Corporation was dissolved on 28 February 1990 by the British Gas Corporation (Dissolution) Order 1990, SI 1990/147. As to the transfer of the undertaking of the British Gas Corporation to British Gas plc see the Gas Act 1986 s 49; and FUEL AND ENERGY vol 19(1) (Reissue) para 552.
20 For these purposes, 'subsidiary' has the same meaning as in the companies legislation (see the Companies Act 1985 s 736 (as substituted); and COMPANIES vol 7(2) (2004 Reissue) para 1200 et seq): see the Public Trustee Rules 1912, SR & O 1912/348, r 30(2) (added by SI 1981/358); and the Interpretation Act 1978 s 17(2)(b).
21 See the Public Trustee Rules 1912, SR & O 1912/348, r 30(1)(f) (as substituted and renumbered (see note 1 supra); and amended by SI 1985/132).

22 Notwithstanding the repeal by the London Regional Transport Act 1984 of the provisions of the Transport (London) Act 1969 under which the London Transport Executive was established, the Executive continued to exist although it was known as London Regional Transport: see the London Regional Transport Act 1984 s 1(2) (repealed). Any functions of the London Transport Executive which, by virtue of the London Regional Transport Act 1984 s 67(1) (repealed) were exercisable by London Regional Transport are now exercisable by Transport for London: Greater London Authority Act 1999 s 301(1). See also LONDON GOVERNMENT.

23 See the Public Trustee Rules 1912, SR & O 1912/348, r 30(1)(g) (as substituted and renumbered: see note 1 supra).

24 Ibid r 30(1)(h)(v) (added by SI 1976/836; and renumbered by SI 1981/358). As to the Common Council of the City of London see LONDON GOVERNMENT vol 29(2) (Reissue) para 51.

25 Public Trustee Rules 1912, SR & O 1912/348, r 30(1)(h)(ii) (as substituted and renumbered: see note 1 supra).

26 Ibid r 30(1)(h)(iii) (as substituted and renumbered: see note 1 supra).

27 Ibid r 30(1)(h)(iv) (as substituted and renumbered: see note 1 supra).

28 See ibid r 30(1)(h) (as substituted and renumbered: see note 1 supra).

29 Ibid r 30(1)(i)(i) (r 30(1)(i) added by SI 1976/836; and renumbered by SI 1981/358).

30 Public Trustee Rules 1912, SR & O 1912/348, r 30(1)(i)(ii) (as added and renumbered: see note 1 supra).

31 Ibid r 30(1)(i)(iii) (as added and renumbered: see note 1 supra).

32 Ibid r 30(1)(i)(iv) (as added and renumbered: see note 1 supra).

33 See ibid r 30(1)(i) (as added and renumbered: see note 1 supra). The community care legislation referred to in the text is the National Assistance Act 1948 s 21(1)(a) (as amended) (see SOCIAL SERVICES AND COMMUNITY CARE vol 44(2) (Reissue) para 1029). A corporation acting as a custodian trustee by virtue of the Public Trustee Rules 1912, SR & O 1912/348, r 30(1)(i) (as added and renumbered) in relation to any trust is entitled to continue to act in relation to that trust until a new custodian trustee is appointed, notwithstanding that the person concerned ceases to occupy such accommodation or to be in the care of that authority, as the case may be: r 30(1)(i) (as so added and renumbered).

34 See ibid r 30(1)(j) (added by SI 1981/358). The Public Trustee Rules 1912, SR & O 1912/348, r 30(1)(j) (as added) refers to the National Coal Board which was renamed the British Coal Corporation: see MINES, MINERALS AND QUARRIES vol 31 (2003 Reissue) para 2. The Corporation was dissolved on 27 March 2004: see the Coal Industry Act 1994 ss 23(2), 65(1), 68(3)(b); British Coal Corporation Order 2004, SI 2004/144, art 3. As to the establishment of the Corporation's successor body, the Coal Authority, see the Coal Industry Act 1994 s 1, Sch 1; and MINES, MINERALS AND QUARRIES vol 31 (2003 Reissue) para 52 et seq. As to the British Coal Corporation, and the restructuring of its undertaking, see MINES, MINERALS AND QUARRIES vol 31 (2003 Reissue) para 72 et seq. The schemes or arrangements referred to in the text are those established under regulations made under the Coal Industry Nationalisation Act 1946 s 37 (amended by the Coal Industry Act 1949, s 4(3), the Coal Industry Act 1977 s 12(1) and the Coal Industry Act 1987 s 1(2), Sch 1 para 1). As from a day to be appointed the Coal Industry Nationalisation Act 1946 s 37 (as amended) is repealed by the Coal Industry Act 1994 s 67, Sch 11 Pt III. At the date at which this volume states the law no such day had been appointed.

35 Public Trustee Rules 1912, SR & O 1912/348, r 30(1)(k) (added by SI 1987/1891).

36 In any enactment, 'Secretary of State' means one of Her Majesty's principal Secretaries of State: see the Interpretation Act 1978 s 5, Sch 1. The office of Secretary of State is one, and in law each Secretary of State is generally capable of performing the functions of all or any of them: see further CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) para 355. See also MINES, MINERALS AND QUARRIES vol 31 (2003 Reissue) para 4.

37 Ie any scheme having effect by virtue of regulations made under the Coal Industry Nationalisation Act 1946 s 37 (as amended; prospectively repealed): see note 34 supra.

38 Ie by regulations made under the Coal Industry Act 1994 s 22(1), Sch 5 para 2(1): see MINES, MINERALS AND QUARRIES vol 31 (2003 Reissue) para 80 et seq.

39 Ie notwithstanding the prospective repeal by the Coal Industry Act 1994 of the Coal Industry Nationalisation Act 1946 s 37 (as amended; prospectively repealed) and of the enactments modifying it: see note 34 supra.

40 Public Trustee Rules 1912, SR & O 1912/348, r 30(1)(l) (added by SI 1994/2519).

41 Public Trustee Rules 1912, SR & O 1912/348, r 30(1)(a) (as substituted and renumbered: see note 1 supra). As to the Treasury Solicitor see CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) para 541.

42 As to the Official Custodian see CHARITIES vol 5(2) (2001 Reissue) para 273 et seq.

43 Ie under the Public Trustee Act 1906 s 4: see para 792 et seq ante.

44 See the Charities Act 1993 s 22(1); and CHARITIES vol 5(2) (2001 Reissue) para 279.

795. Corporation may not be custodian trustee and managing trustee. A body corporate, although otherwise qualified to act as a custodian trustee, may not be appointed to be both a managing trustee and a custodian trustee of a trust instrument so as to enable the appointee to charge fees as a custodian trustee[1]. In such a case the whole of the attempted appointment is ineffective, and a person who would have been discharged from his trusteeship by an effective appointment remains a trustee[2].

1 *Forster v Williams Deacon's Bank Ltd* [1935] Ch 359, CA. As to when a corporation is entitled to act as a custodian trustee see para 794 ante.

2 *Arning v James* [1936] Ch 158.

796. Powers and duties of custodian trustee. Where a custodian trustee of any trust is appointed[1]:

(1) the trust property must be transferred to him as if he were sole trustee[2];

(2) the management of the trust property and the exercise of any power or discretion exercisable by the trustees under the trust remain vested in the trustees other than the custodian trustee ('the managing trustees')[3];

(3) as between himself and the managing trustees, and subject and without prejudice to the rights of any other persons, the custodian trustee has the custody of all securities and documents of title relating to the trust property, but the managing trustees have free access to them and are entitled to take copies and extracts[4];

(4) in determining the number of trustees for the purposes of the Trustee Act 1925, the custodian trustee is not to be reckoned as a trustee[5];

(5) when exercisable by the trustees, the power of appointing new trustees is exercisable by the managing trustees alone, but the custodian trustee has the same power as any other trustee of applying to the court for the appointment of a new trustee as any other trustee[6].

1 See the Public Trustee Act 1906 s 4(2). See also s 4(3); and para 793 ante.

2 Ibid s 4(2)(a). Vesting orders for the purpose may, where necessary, be made under the Trustee Act 1925 (see para 869 et seq post): Public Trustee Act 1906 s 4(2)(a); Interpretation Act 1978 s 17(2)(a). All sums payable to or out of the income or capital of the trust property must be paid to or by the custodian trustee; but he may allow the dividends and other income derived from the trust property to be paid to the managing trustees or to such person as they direct, or into the banking account of such person as they direct; and in that case he is exonerated from seeing to its application or being answerable for any loss or misapplication: Public Trustee Act 1906 s 4(2)(e).

3 Ibid s 4(2)(b). The custodian trustee must concur in and perform all acts necessary to enable the managing trustees to exercise their powers of management or any other power or discretion vested in them (including the power to pay money or securities into court), unless the matter in which he is requested to concur is a breach of trust or involves a personal liability on him in respect of calls or otherwise; but unless he so concurs, he is not liable for any act or default on the part of the managing trustees or any of them: s 4(2)(d). If the custodian trustee acts in good faith, he is not liable for accepting as correct, and acting upon the faith of, any written statement by the managing trustees as to any birth, death, marriage or other matter of pedigree or relationship, or other matter of fact upon which the title to the trust property or any part of it may depend, or for acting upon legal advice obtained by the managing trustees independently of him: s 4(2)(h).

4 Ibid s 4(2)(c).

5 Ibid s 4(2)(g).

6 Ibid s 4(2)(f).

797. Determination of custodian trusteeship. On the application of either the custodian trustee or any of the managing trustees[1] or of any beneficiary, and on proof to the satisfaction of the court that the termination of the custodian trusteeship is the general wish of the beneficiaries or is on other grounds expedient, the court[2] may make

an order for that purpose and may thereupon make such vesting orders and give such directions as under the circumstances may seem to the court to be necessary or expedient[3].

1 The application is made to a Chancery judge sitting in private (see CPR Sch 1 RSC Ord 93 r 2) and should be made by the Part 8 procedure. As to High Court procedure generally see para 776 ante. As to the Part 8 procedure see CPR Pt 8; para 643 ante; and PRACTICE AND PROCEDURE vol 37 (Reissue) para 1351. For the meaning of 'the managing trustees' see para 796 ante.

2 For the meaning of 'court' see para 662 note 9 ante.

3 See the Public Trustee Act 1906 s 4(2)(i). Where it is desired to appoint a custodian trustee to be managing trustee, the custodian trusteeship must first be terminated: *Re Squire's Settlement* [1946] WN 11.

(v) Trust Corporations

798. Meaning of 'trust corporation'. For the purposes of certain Acts comprised in the 1925 property legislation, 'trust corporation' means the Public Trustee[1] or a corporation either appointed by the court in any particular case to be a trustee or entitled by rules made under the Public Trustee Act 1906[2] to act as custodian trustee[3], and includes certain other persons and corporations[4].

1 As to the Public Trustee see para 766 et seq ante.

2 See the Public Trustee Act 1906 s 4(3); and paras 792–793 ante.

3 See the Settled Land Act 1925 s 117(1)(xxx) (amended by the Trusts of Land and Appointment of Trustees Act 1996 s 25(1), Sch 3 para 2(13)(b)); the Trustee Act 1925 s 68(1) para (18); the Law of Property Act 1925 s 205(1)(xxviii); and the Administration of Estates Act 1925 s 55(1)(xxvi). See also the Supreme Court Act 1981 s 128; and the Land Registration Rules 2003, SI 2003/1417, r 217. See further EXECUTORS AND ADMINISTRATORS. Where there exists a legal entity, it may be a trust corporation even though its capital is vested in or held in trust for another company on an amalgamation: *Re Skinner* [1958] 3 All ER 273, [1958] 1 WLR 1043. As from a day to be appointed, the Supreme Court Act 1981 is renamed the Senior Courts Act 1981 by the Constitutional Reform Act 2005 s 59(5), Sch 11 para 1(1) (not yet in force): see para 632 note 1 ante; and COURTS. At the date at which this volume states the law no such day had been appointed.

4 For the purpose of the Acts cited in note 3 supra, the definition of 'trust corporation' has been enlarged to include the Treasury Solicitor (including the solicitor for the affairs of the Duchy of Lancaster), the Official Solicitor and any person holding any other official position prescribed by the Lord Chancellor, and, in relation to the property of a bankrupt and property subject to a deed of arrangement, the trustee in bankruptcy and the trustee under the deed respectively, and, in relation to charitable, ecclesiastical and public trusts, any local or public authority so prescribed, and any other corporation constituted under the laws of the United Kingdom or any part of it which satisfies the Lord Chancellor that it undertakes the administration of any such trusts without remuneration, or that by its constitution it is required to apply the whole of its net income after payment of outgoings for charitable, ecclesiastical or public purposes, and is prohibited from distributing, directly or indirectly, any part of that income by way of profits among any of its members, and is authorised by him to act in relation to such trusts as a trust corporation: see the Law of Property (Amendment) Act 1926 s 3(1) (amended by the Supreme Court Act 1981 s 152(1), Sch 5). The definition of 'trust corporation' has been further enlarged so that the reference to a corporation appointed by the court in any particular case to be a trustee includes a reference to a corporation appointed by the Charity Commission under the Charities Act 1993 to be a trustee: see s 35 (amended by the Charities Act 2006 s 75(1), Sch 8 paras 96, 127). For the purposes of the Settled Land Act 1925, the Trustee Act 1925, the Law of Property Act 1925, the Administration of Estates Act 1925 and the Land Registration Act 2002 the Church of England Pensions Board is a trust corporation (see the Clergy Pensions Measure 1961 s 31), and it is apprehended that this is also the case for the purposes of the Supreme Court Act 1981 (see the Interpretation Act 1978 s 17(2)(a)). As to the prospective renaming of the Supreme Court Act 1981 see note 3 supra. As to the Treasury Solicitor see CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) para 541; as to the Official Solicitor see COURTS vol 10 (Reissue) para 667; and as to the Lord Chancellor see CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) para 477 et seq. For the meaning of 'United Kingdom' see para 767 note 17 ante. As to the Charity Commission see CHARITIES; and as to the Church of England Pensions Board see ECCLESIASTICAL LAW.

799. Special powers of trust corporations. A trust corporation[1] has certain powers which are not exercisable by a sole trustee, not being a trust corporation, namely:

(1) power to give a valid receipt for, or direct the application of, the proceeds of sale or capital moneys arising under a trust of land[2];

(2) power to give a valid receipt for capital moneys arising under the Settled Land Act 1925[3]; and

(3) power unaffected by the restrictions imposed in regard to receipts by sole trustees to effect a compromise or other transaction[4].

1 For the meaning of 'trust corporation' see para 798 ante.

2 See the Law of Property Act 1925 s 27(2) (substituted by the Law of Property (Amendment) Act 1926 s 7, Schedule; and amended by the Trusts of Land and Appointment of Trustees Act 1996 s 25(1), Sch 3 para 4(8)). See also SALE OF LAND vol 42 (Reissue) paras 91, 312; SETTLEMENTS vol 42 (Reissue) paras 900, 906.

3 See the Settled Land Act 1925 ss 94, 95; and SALE OF LAND vol 42 (Reissue) para 312; SETTLEMENTS vol 42 (Reissue) paras 753, 786. Cf para 822 post.

4 See the Trustee Act 1925 s 15 (as amended); and para 1052 post. As to the overreaching effect of a conveyance under a trust of land where the trustee is a trust corporation see REAL PROPERTY vol 39(2) (Reissue) para 249; as to payments of capital money to a trust corporation on a disposition of settled land where the trustees of the settlement have not been discharged see SETTLEMENTS vol 42 (Reissue) para 712; and as to the power of a trust corporation to act as executor or administrator see EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 18.

800. Provisions for remuneration. Where a settlor or testator appoints a trust corporation[1], other than the Public Trustee[2], to be a trustee of a trust instrument, he usually inserts a clause providing for the remuneration of the trust corporation in respect of its services according to a scale specified, either expressly or referentially, in the trust instrument. Where this is done, the remuneration of the trustee is expressly provided for, and, except as regards the incidence of the burden, cannot be disputed by the beneficiaries[3]. The scale of remuneration usually provides for an acceptance fee, an income fee and a distribution fee[4], and, where the trust corporation is a bank, for certain other privileges as respects, for example, trust money and bank charges. In the absence of any provision about his entitlement to remuneration, in the trust instrument or under any enactment or subordinate legislation[5], a trustee who is a trust corporation[6] is entitled to receive reasonable remuneration out of the trust funds for any services that the trust corporation provides to or on behalf of the trust[7]. A paid trustee is expected to exercise a higher standard of diligence and knowledge than an unpaid trustee[8].

1 For the meaning of 'trust corporation' see para 798 ante.

2 As to the Public Trustee see para 766 et seq ante.

3 In *Re Waterman's Will Trusts, Lloyds Bank Ltd v Sutton* [1952] 2 All ER 1054, where a bank was appointed executor, its charging clause, after providing that the bank was to be entitled to remuneration, went on to say that the bank might 'without accounting for any resultant profit act as attorney and perform any service on behalf of any estate on the same terms as would be made with a customer'; and the bank was held to be under no duty to account for the profit gained by its employment of money deposited with it. In an exceptional case the court may be asked under its inherent jurisdiction to authorise an increase in the scale of remuneration: *Re Duke of Norfolk's Settlement Trusts, Earl of Perth v Fitzalan-Howard* [1982] Ch 61, [1981] 3 All ER 220, CA.

4 The fees chargeable and the incidents upon which they are chargeable are generally fixed at a rate which does not exceed that applicable to the Public Trustee: see paras 790–791 ante.

5 See the Trustee Act 2000 s 29(5). As to the commencement of the Trustee Act 2000 see para 603 note 9 ante.

6 This provision excludes any trust corporation which is a trustee of a charitable trust: ibid s 29(1)(b).

7 Ibid s 29(1). Reasonable remuneration means such remuneration as is reasonable in the circumstances for the provision of those services to or on behalf of that trust by that trustee and for the purposes of s 29(1) includes, in relation to the provision of services by a trustee who is an authorised institution under the Banking Act 1987 and provides the services in that capacity, the institution's reasonable charges for the

provision of such services: Trustee Act 2000 s 29(3). A trustee is entitled to remuneration under s 29 even if the services in question are capable of being provided by a lay trustee: s 29(4). Section 29 also applies to a trustee who has been authorised to exercise functions as an agent of the trustees, or to act as a nominee or custodian: s 29(6). See also para 932 post.

8 *Re Waterman's Will Trusts, Lloyds Bank Ltd v Sutton* [1952] 2 All ER 1054 at 1055 per Harman J; *Bartlett v Barclays Bank Trust Co Ltd* [1980] Ch 515, [1980] 1 All ER 139; *Steel v Wellcome Custodian Trustees Ltd* [1988] 1 WLR 167 (but see *Jobson v Palmer* [1893] 1 Ch 71 at 76 per Romer J). See also the statutory duty of care which applies to trustees under the Trustee Act 2000 ss 1, 2, Sch 1 (see para 950 post).

801. When remuneration is allowable by the court. Where a trust corporation[1], other than the Public Trustee[2], is appointed by the court[3] to be a trustee either solely or jointly with another person, the court may authorise the corporation to charge such remuneration for its services as trustee as the court may think fit[4].

1 For the meaning of 'trust corporation' see para 798 ante.
2 As to the Public Trustee see para 766 et seq ante.
3 See para 632 et seq ante.
4 Trustee Act 1925 s 42. As to the allowance of remuneration where a trust corporation is appointed administrator of a deceased's estate see EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 44.

802. Incidence of remuneration. Where a trust corporation[1] is appointed an executor and trustee by a testator and given power to charge, it seems that the acceptance fee is chargeable against residue as an administration expense[2].

As between an annuity, whether or not given as a clear sum, and residue, the income fee is in general chargeable against residue[3], whether it is to be regarded as an administration expense[4] or as a legacy to the corporation[5]; and, as between a settled legacy and residue, the income fee is an expense in connection with the income of the settled legacy and is payable out of that[6]. Where, however, a gift takes the form of a direction to set aside and invest in respect of an annuity such a sum as will produce a specified annual sum, then, whether or not the fund will ultimately fall into residue, the sum to be set aside must be such as will produce the income fee in addition to the specified annual sum, and the income fee is payable out of the income of the fund so set aside[7].

A withdrawal fee is an expense incurred in relation to the final distribution of a fund and is payable out of the corpus of that fund[8]. For example, the corpus of a settled legacy must bear its own withdrawal fee in exoneration of residue, the liability for which ceases when a fund is set apart to answer the legacy[9]. Where a fund directed to be set aside to provide an annuity ultimately falls into residue, the withdrawal fee is payable out of the residuary estate, but, if the fund does not fall into residue, the withdrawal fee is payable out of the fund[10].

Where a trust corporation becomes a trustee otherwise than by its appointment as an original trustee, a withdrawal fee is payable out of the corpus of the fund to be distributed[11]. Where a trust corporation is appointed after funds have been appropriated to answer annuities, it seems that the income fee in respect of the annuities will be ordered to be paid out of the income of the appropriated funds which will be ordered, if necessary, to be augmented for the purpose[12]. The incidence of the acceptance fee, if any, in a case where a trust corporation is appointed otherwise than as an original trustee remains to be determined, although it seems likely that capital will bear the fee[13].

1 For the meaning of 'trust corporation' see para 798 ante.
2 See *Re Roberts' Will Trusts, Younger v Lewins* [1937] Ch 274, [1937] 1 All ER 518 (where, however, the residuary legatees ultimately admitted the liability of residue for the acceptance fee).
3 *Re Hulton, Midland Bank Executor and Trustee Co Ltd v Thompson* [1936] Ch 536, [1936] 2 All ER 207 (where the gift was of a clear yearly sum of £12,000 after paying or deducting income tax and surtax and a trust company was appointed); *Re Riddell, Public Trustee v Riddell* [1936] Ch 747, [1936] 2 All ER 1600 (where annuities were given simpliciter and the Public Trustee (see para 766 et seq ante) was appointed,

and the decision of Astbury J in *Re Bentley, Public Trustee v Bentley* [1914] 2 Ch 456 was not followed); *Re Evans' Will Trusts, Public Trustee v Gausby* [1948] Ch 185, [1948] 1 All ER 381 (where fees were provided by the augmentation of annuity funds from other money in hand).

4 *Re Riddell, Public Trustee v Riddell* [1936] Ch 747 at 749, [1936] 2 All ER 1600 at 1064 per Farwell J; *Re Godwin, Coutts & Co v Godwin* [1938] Ch 341 at 346, [1938] 1 All ER 287 at 291 per Farwell J.

5 It was argued that it was a legacy in *Re Hulton, Midland Bank Executor and Trustee Co Ltd v Thompson* [1936] Ch 536, [1936] 2 All ER 207 (where Clauson J held that in either event it was payable out of residue).

6 *Re Roberts' Will Trusts, Younger v Lewins* [1937] Ch 274, [1937] 1 All ER 518. See also EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 434.

7 *Re Godwin, Coutts & Co v Godwin* [1938] Ch 341, [1938] 1 All ER 287. This follows from the testator's provision for the remuneration of the trustee and his decision to leave to his executors the duty of determining the sum to be set aside, and no express provision in this respect is needed: *Re Godwin, Coutts & Co v Godwin* supra at 349 and 293 per Farwell J.

8 *Re Hicklin, Public Trustee v Hoare* [1917] 2 Ch 278 at 284–285; *Re Roberts' Will Trusts, Younger v Lewins* [1937] Ch 274, [1937] 1 All ER 518; *Re Godwin, Coutts & Co v Godwin* [1938] Ch 341, [1938] 1 All ER 287.

9 *Re Roberts' Will Trusts, Younger v Lewins* [1937] Ch 274 at 277–278, [1937] 1 All ER 518 at 521; *Re Godwin, Coutts & Co v Godwin* [1938] Ch 341 at 345–346, [1938] 1 All ER 287 at 290–291.

10 *Re Godwin, Coutts & Co v Godwin* [1938] Ch 341, [1938] 1 All ER 287.

11 See *Re Hicklin, Public Trustee v Hoare* [1917] 2 Ch 278 (where the Public Trustee was appointed to fill a vacancy in the trusteeship).

12 See *Re Evans' Will Trusts, Public Trustee v Gausby* [1948] Ch 185, [1948] 1 All ER 381 (where the Public Trustee had been appointed and recourse was ordered to be made to the capital of the augmented funds in so far as the income might prove insufficient to meet the annuities and income fees). As to the incidence between capital and income of the fees of the Public Trustee see paras 790–791 ante.

13 Cf *Re Roberts' Will Trusts, Younger v Lewins* [1937] Ch 274, [1937] 1 All ER 518. Where the appointment is made and the remuneration is allowed by the court, the order will presumably deal with the incidence of the fees where there are funds held on different trusts.

803. Power to receive notices. By any settlement or other instrument creating a trust, a trust corporation[1] may be nominated to whom notices of dealings affecting real or personal property may be given and, in default of such nomination, the trustees, if any, of the instrument or, on the application of any person interested, the court may make the nomination[2]. Where a trust corporation is so nominated, any instrument on which notices under the statutory provisions relating to the priority of dealings with equitable interests[3] may be indorsed[4] must be indorsed with the name of that trust corporation by the person having the possession or custody of the instrument[5]. Notice given to any trust corporation whose name is so indorsed operates in the same way as a notice or indorsement under those statutory provisions[6]; and, where a trust corporation is so acting, a notice given to a trustee of the trust instrument of a dealing relating to the trust property must forthwith be delivered or sent by post by the trustee to the trust corporation and, until received by the corporation, does not affect any priority[7].

A trust corporation must not be nominated for the above purposes unless it consents to act[8], or where it has any beneficial interest in or charge upon the trust property[9], or where a trust corporation is acting as the trustee or one of the trustees of the instrument creating the trust[10]. Where a trust corporation acting for the above purposes becomes entitled to any beneficial interest in or charge upon the trust property, another trust corporation must be nominated in its place[11].

A trust corporation so acting is bound to keep a separate register of notices of dealings with each equitable interest and must enter in the register the date of the notice, the name of the person giving the notice, and short particulars of the equitable interest intended to be affected and of the effect of the dealing if mentioned in the notice[12]. The trust corporation may require the applicant to pay a fee not exceeding the prescribed fee[13] before making an entry in the register[14]; and, subject to payment of a fee not exceeding the prescribed fee, the trust corporation must permit any person who, if the corporation had been the trustee of the trust instrument, would have been entitled to

inspect notices served on the trustee[15] to inspect and take copies of the register and any notices held by it[16], and must reply to all inquiries respecting notices received by it in like manner and in the same circumstances as if it had been a trustee of the trust instrument[17].

1 For the meaning of 'trust corporation' see para 798 ante.
2 Law of Property Act 1925 s 138(1).
3 Ie ibid s 137 (as amended): see CHOSES IN ACTION vol 6 (2003 Reissue) para 46 et seq; SALE OF LAND vol 42 (Reissue) para 320; SETTLEMENTS vol 42 (Reissue) para 610.
4 See ibid s 137(4); and CHOSES IN ACTION vol 6 (2003 Reissue) para 54.
5 Ibid s 138(2).
6 Ibid s 138(3). See further CHOSES IN ACTION vol 6 (2003 Reissue) para 46 et seq.
7 Ibid s 138(4).
8 Ibid s 138(5)(a).
9 Ibid s 138(5)(b).
10 Ibid s 138(5)(c).
11 Ibid s 138(6). All documents relating to notices affecting the trust must be delivered to the corporation so nominated: s 138(6).
12 Ibid s 138(7).
13 For these purposes, 'prescribed fee' means the fee prescribed by the Lord Chancellor, in cases where the Public Trustee acts as a trust corporation for the purposes of ibid s 138 (as amended): s 138(11) (amended by Public Trustee (Liability and Fees) Act 2002 s 2(2)). As to the Lord Chancellor see CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) para 477 et seq; and as to the Public Trustee see para 766 et seq.
14 Law of Property Act 1925 s 138(8).
15 See ibid ss 137(8), 138(9); and para 964 post.
16 Ibid s 138(9).
17 Ibid s 138(10).

(2) APPOINTMENT OF TRUSTEES

(i) Constitution and Devolution of Trusteeship

A. ASSUMPTION OF OFFICE

804. Limitation of number of trustees. In the case of settlements[1] of land[2] and dispositions creating trusts of land[3] made or coming into operation after 31 December 1925, the number of trustees must not in any case exceed four; and, where more than four persons are named as trustees, the four first named who are able and willing to act are alone the trustees[4].

These restrictions apply only to settlements and dispositions of land and do not apply: (1) in the case of land vested in trustees for charitable, ecclesiastical or public purposes[5]; or (2) where the net proceeds of the sale of the land are held for like purposes[6]; or (3) to trustees of a term of years absolute limited by a settlement on trusts for raising money[7] or of a like term created under the statutory remedies[8] relating to annual sums charged on land[9].

Although a sole trustee of land is not forbidden, a sole trustee (not being a trust corporation) cannot give a valid receipt for the proceeds of sale or other capital money arising under a trust of land or for capital money arising under the Settled Land Act 1925[10].

1 For these purposes, 'settlement' has the same meaning as in the Settled Land Act 1925 (see SETTLEMENTS vol 42 (Reissue) para 678): Trustee Act 1925 s 68(1) para (15).
2 For the meaning of 'land' see para 605 note 5 ante.
3 For the meaning of 'trust of land' as defined by the Trusts of Land and Appointment of Trustees Act 1996 see para 605 note 5 ante.

4 Trustee Act 1925 s 34(2)(a) (amended by the Trusts of Land and Appointment of Trustees Act 1996 s 25(1), Sch 3 para 3(9)). The other persons named do not become trustees unless appointed on the occurrence of a vacancy: Trustee Act 1925 s 34(2)(a) (as so amended). As to the appointment of new trustees see para 822 post.
5 Ibid s 34(3)(a).
6 Ibid s 34(3)(b).
7 See SETTLEMENTS vol 42 (Reissue) para 727 et seq.
8 See the Law of Property Act 1925 s 121(4); and RENTCHARGES AND ANNUITIES vol 39(2) (Reissue) paras 874–875.
9 Trustee Act 1925 s 34(3)(c).
10 See ibid s 14(2) (as amended); and para 1051 post. See also the Law of Property Act 1925 s 27(2) (as substituted and amended); the Settled Land Act 1925 s 18(1); and SALE OF LAND vol 42 (Reissue) para 312; SETTLEMENTS vol 42 (Reissue) para 786.

805. Modes in which trustees are constituted. A person is legally constituted a trustee who:

(1) is originally designated as such by the instrument creating the trust[1], or is duly appointed as such under a power for the purpose contained in that instrument or under a statutory power for the purpose or by a court of competent jurisdiction or, in the case of a charitable trust, by the Charity Commission or under a legally established scheme[2]; and
(2) accepts the trust either expressly or by acting in the execution of it[3].

A person may also be constituted a trustee by statute, in which case acceptance of the trust is not essential unless required by statute[4]. A person who is not legally constituted trustee becomes in equity a constructive trustee[5]:

(a) where, for want of a legally constituted trustee, trust property becomes in law vested in him[6]; or
(b) where he has acquired trust property in circumstances which in equity are deemed to require him to hold it upon the trust to which it was subject when he acquired it[7]; or
(c) where he intermeddles with and acts as trustee in relation to trust property, in which case he is also called a trustee de son tort[8].

1 As to appointment by the creator of the trust see para 806 post. As to trustees of charities, and as to the Official Custodian for Charities, see CHARITIES vol 5(2) (2001 Reissue) para 273 et seq. As to incorporated church trustees of a parish see ECCLESIASTICAL LAW vol 14 paras 1255–1256. As to the invalidity of the appointment of a minor as a trustee see para 609 ante.
2 As to the powers to appoint trustees see para 818 post. As to trustees in bankruptcy see BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 316 et seq.
3 As to acceptance and disclaimer of office see para 808 et seq post.
4 For instances of trusts imposed by statute see para 624 ante.
5 As to constructive trusts see para 687 et seq ante; and as to the failure of the original appointment of a trustee see para 816 et seq post.
6 As to the failure of trustees see para 807 post.
7 As to the stranger as constructive trustee generally see para 698 et seq ante.
8 As to intermeddling with a trust see para 698 ante.

806. Express or implied appointment by creator of trust. An original trustee is generally appointed by the creator of the trust either expressly[1] or impliedly[2].

1 *Milroy v Lord* (1862) 4 De GF & J 264 at 274 per Turner LJ; *Re Waidanis, Rivers v Waidanis* [1908] 1 Ch 123, CA. See also para 649 ante.
2 As to express trusts and the certainty of intention see para 649 et seq ante.

807. Failure of trustees. Trusts do not fail by a failure of trustees[1] except that, if it is of the essence of a trust that the trustees selected by the settlor and no-one else are to act as the trustees and those trustees cannot or will not undertake the office, the trust must fail[2]. In the case of a trust created by a will, where no trustee is effectually

appointed by the testator[3], or all the trustees appointed by him die or refuse to accept the trust[4] before the trust takes effect, the person in whom the trust property is vested by reason of the failure of appointment, death or refusal is deemed in equity to be the trustee of the property for the purposes of the trust[5]. However, in such an event, if there is any procedure for the appointment of new trustees which is applicable to the case, it can be resorted to for the appointment of an original trustee[6], and, if that procedure is not applicable or is not resorted to, a court of equity will appoint an original trustee[7].

In the case of a voluntary trust purported to be created inter vivos, however, there can be no valid trust if the document relied upon as constituting the trust is a purported conveyance or transfer to trustees who are not named or otherwise identified, or who are already dead, or have otherwise ceased to exist or are not capable grantees. Such a document would be a nullity and completely ineffective to constitute a trust. But once the trust is completely constituted, it is another matter. Accordingly, where there is a conveyance or transfer to named persons in being, a trust is validly created notwithstanding an effective disclaimer by the trustees. The conveyance or transfer is valid until disclaimer: the effect of the disclaimer is to revest the trust property in the settlor or his personal representatives, if he is dead, subject to the trusts[8].

1 *Ellison v Ellison* (1802) 6 Ves 656 at 663 per Lord Eldon LC; *Brown v Higgs* (1803) 8 Ves 561 at 570 per Lord Eldon LC.

2 *Re Lysaght, Hill v Royal College of Surgeons* [1966] Ch 191 at 207, [1965] 2 All ER 888 at 896; and see *Harris v Sharp* (21 March 1987) Lexis, CA, discussed in [1988] Conv 288. See also *Re Willis, Shaw v Willis* [1921] 1 Ch 44, CA; *Re Armitage, Ellam v Norwich Corpn* [1972] Ch 438, [1972] 1 All ER 708.

3 *Bennet v Davis* (1725) 2 P Wms 316; *Sonley v Clock-makers' Co* (1780) 1 Bro CC 81; *A-G v Stephens* (1834) 3 My & K 347.

4 As to the failure of the original appointment of trustees see para 816 et seq post.

5 *Pits v Pelham* (1670) 1 Lev 304, HL; *Mallot v Wilson* [1903] 2 Ch 494 at 502–503.

6 As to such appointment and the procedures involved see paras 823, 831 et seq post.

7 *Moggridge v Thackwell* (1803) 7 Ves 36 at 84–85 per Lord Eldon LC; *A-G v Stephens* (1834) 3 My & K 347 at 352; *Tempest v Lord Camoys* (1866) 35 Beav 201; *Dodkin v Brunt* (1868) LR 6 Eq 580; *Jones v Jones* (1874) 31 LT 535. See also para 849 et seq post. The individuals named as trustees by the testator who creates a trust are only the nominal instruments to execute his intention that the trust is to be performed. If they fail either by death or by being under disability to act or refusing to act, or if no trustees are appointed at all, and the defect cannot otherwise be supplied, the office is in the first instance assumed by a court of equity of competent jurisdiction, which will take care that trustees are appointed to execute the trust: *A-G v Lady Downing* (1767) Wilm 1 at 24, 30 per Wilmot CJ; *Brydges v Brydges, Philips v Brydges* (1796) 3 Ves 120 at 127 per Arden MR; *Brown v Higgs* (1803) 8 Ves 561 at 570 per Lord Eldon LC; *Siggers v Evans* (1855) 5 E & B 367 at 374 per Crompton J; *Dodkin v Brunt* supra.

8 See *Siggers v Evans* (1855) 5 E & B 367; *Standing v Bowring* (1885) 31 ChD 282, CA; *London and County Banking Co Ltd v London and River Plate Bank Ltd* (1888) 21 QBD 535, CA. In *Dewar v Dewar* [1975] 2 All ER 728, [1975] 1 WLR 1532, it was held that a statement by the donee that he would only accept it as a loan did not prevent it from being an effective gift unless the donor agreed that it should be a loan (*Hill v Wilson* (1873) 8 Ch App 888 to the contrary not cited).

B. ACCEPTANCE AND DISCLAIMER OF OFFICE

808. Acceptance of office and vesting of property. A person who is appointed a trustee assumes the office upon his acceptance[1]. The acceptance may be either express or implied[2]. Upon acceptance, the trust property, so far as transferred to him, vests in him indefeasibly[3] and he cannot afterwards disclaim the trust[4].

1 Shep Touch 284–285; *Bonifaut v Greenfield* (1587) Cro Eliz 80; *Thompson v Leach* (1690) 2 Vent 198 at 199; *Townson v Tickell* (1819) 3 B & Ald 31. See also *Doyle v Blake* (1804) 2 Sch & Lef 231 at 239; and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 23.

2 *Lord Montford v Lord Cadogan* (1816) 19 Ves 635 at 638 per Lord Eldon LC; *Montgomery v Johnson* (1848) 11 I Eq R 476.

3 A person must give his assent before any interest in property can indefeasibly pass to him (*Townson v Tickell* (1819) 3 B & Ald 31 at 39 per Best J; *Hill v Wilson* (1873) 8 Ch App 888), but a transfer or other

disposition of property to a person without his knowledge vests the property in him at once, subject to his right to disclaim the property when informed of it (*Doe d Chidgey v Harris* (1847) 16 M & W 517 at 520 per Parke B; *Siggers v Evans* (1855) 5 E & B 367 at 381; *Standing v Bowring* (1885) 31 ChD 282 at 288, CA, per Cotton LJ; *Mallott v Wilson* [1903] 2 Ch 494).

4 *Re Sharman's Will Trusts, Public Trustee v Sharman* [1942] Ch 311, [1942] 2 All ER 74. See also *Doe d Chidgey v Harris* (1847) 16 M & W 517 at 520, 524. As to disclaimer see para 812 et seq post.

809. Express acceptance. A person expressly accepts the office of trustee by executing the instrument of trust in which he is named a trustee[1], or may do so by some other writing or orally[2]. However, an oral expression of acceptance does not bind him unless it is unequivocal[3].

1 *Lord Montford v Lord Cadogan* (1816) 19 Ves 635 at 638; *Jones v Higgins* (1866) LR 2 Eq 538 at 543–544 per Kindersley V-C.

2 *Doe d Chidgey v Harris* (1847) 16 M & W 517 at 519, 524; *Middleton v Pollock, ex p Elliott* (1876) 2 ChD 104; *Middleton v Pollock, ex p Wetherall* (1876) 4 ChD 49. Where a person did nothing to accept the trusts of a settlement except signing, many years afterwards, a memorandum indorsed upon it which related only to part of the settled property, he was held liable as a trustee in respect of that part of the property only: *Malzy v Edge* (1856) 2 Jur NS 80. As to inability to disclaim part of a trust see para 812 post.

3 *Doe d Chidgey v Harris* (1847) 16 M &W 517 at 524.

810. Implied acceptance. A person impliedly accepts the office of trustee if he personally interferes with the trust property[1] or otherwise acts in the trust[2] or allows proceedings in reference to the trust property to be instituted[3] or dealings with the trust property to be carried on[4] in his name. A person who is named an executor and trustee in a will is deemed, if he proves the will[5], to accept the trusts of the will both as to personal property[6] and as to real property[7].

1 *Lord Montford v Lord Cadogan* (1816) 19 Ves 635 at 638 per Lord Eldon LC; *Bence v Gilpin* (1868) LR 3 Exch 76 at 81 per Kelly CB.

2 *Doyle v Blake* (1804) 2 Sch & Lef 231; *Urch v Walker* (1838) 3 My & Cr 702; *James v Frearson* (1842) 1 Y & C Ch Cas 370; *White v Barton* (1854) 18 Beav 192. See also *Robinson v Pett* (1734) 3 P Wms 249. A release of the trust property to the other trustees implies a disclaimer and not an acceptance of the trust: see *Nicloson v Wordsworth* (1818) 2 Swan 365 at 371 per Lord Eldon LC; and para 812 note 8 post.

3 *Lord Montford v Lord Cadogan* (1816) 19 Ves 635; *Cook v Fryer* (1842) 1 Hare 498.

4 *James v Frearson* (1842) 1 Y & C Ch Cas 370.

5 *Re Sharman's Will Trusts, Public Trustee v Sharman* [1942] Ch 311, [1942] 2 All ER 74. As to proving a will see EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 72 et seq.

6 *Mucklow v Fuller* (1821) Jac 198; *Booth v Booth* (1838) 1 Beav 125.

7 *Ward v Butler* (1824) 2 Mol 533.

811. When acceptance is not implied. Acceptance of a trust is not implied from the trustee named in a deed merely taking charge of the deed temporarily for safekeeping[1] or from acts in connection with the trust subsequent to his actual disclaimer or refusal of that trust[2].

1 *Evans v John* (1841) 4 Beav 35 at 36–37 per Lord Langdale MR.

2 As to the effect of disclaimer generally see para 814 post.

812. Disclaimer of office. A person who is appointed a trustee may, before he has accepted the office or in any way acted in the trust[1], disclaim the office or refuse to serve[2]. He may not, however, disclaim the office and retain the estate[3]; nor may he disclaim the trust as to part of the property, even when the property attempted to be disclaimed is in a different country from the rest[4]. The disclaimer involves disclaimer of any benefit annexed to the office[5] but does not prevent acceptance of an independent benefit conferred by the instrument of trust[6].

No formal act or instrument is necessary to effect the disclaimer or refusal[7]; but in order to furnish evidence of the fact and to render it impossible for the person

subsequently either to assume to act or to be charged with acting as a trustee, a disclaimer by deed is convenient and proper[8].

A trustee who has refused to act in a trust but has not executed a deed of disclaimer may, in legal proceedings in relation to the trust, disclaim in court[9].

Where a testator has appointed a person an executor and also a trustee, the fact of his renouncing probate and not acting as trustee is strong evidence that he has refused the trust[10], and is conclusive evidence of refusal if the duties of executor are by the will inseparable from the duties of the trust[11].

1 As to express acceptance of office see para 809 ante; and as to implied acceptance see para 810 ante.
2 *Smith v Wheeler* (1671) 1 Vent 128 at 130 per Hale CJ; *Nicloson v Wordsworth* (1818) 2 Swan 365 at 369 per Lord Eldon LC; *Small v Marwood* (1829) 9 B & C 300 at 309; *Siggers v Evans* (1855) 5 E & B 367 at 381; *White v M'Dermott* (1872) IR 7 CL 1. This applies equally to trustees by devolution: *Legg v Mackrell* (1860) 2 De GF & J 551; *Re Ridley, Ridley v Ridley* [1904] 2 Ch 774; *Re Benett, Ward v Benett* [1906] 1 Ch 216, CA.
3 *Re Martinez' Trusts* (1870) 22 LT 403.
4 *Re Lord and Fullerton's Contract* [1896] 1 Ch 228, CA.
5 *Slaney v Watney* (1866) LR 2 Eq 418; *Lewis v Mathews* (1869) LR 8 Eq 277.
6 *Pollexfen v Moore* (1745) 3 Atk 272; *Andrew v Trinity Hall, Cambridge* (1804) 9 Ves 525 at 534; *Talbot v Earl of Radnor* (1834) 3 My & K 252; *Warren v Rudall, ex p Godfrey* (1860) 1 John & H 1.
7 *Townson v Tickell* (1819) 3 B & Ald 31 at 39 per Holroyd J; *Stacey v Elph* (1833) 1 My & K 195 at 199 per Leach MR; *Doe d Chidgey v Harris* (1847) 16 M & W 517 at 520 per Rolfe B; *White v M'Dermott* (1872) IR 7 CL 1; *Re Birchall, Birchall v Ashton* (1889) 40 ChD 436, CA; *Re Paradise Motor Co Ltd* [1968] 2 All ER 625, [1968] 1 WLR 1125, CA. An oral disclaimer is sufficient: *Bingham v Lord Clanmorris* (1828) 2 Mol 253 per Hart LC. As to the costs of a disclaiming trustee see para 815 post.
8 *Nicloson v Wordsworth* (1818) 2 Swan 365 at 370 per Lord Eldon LC; *Townson v Tickell* (1819) 3 B & Ald 31 at 39; *Stacey v Elph* (1833) 1 My & K 195 at 199 per Leach MR; *Begbie v Crook* (1835) 2 Scott 128. The deed operates as a disclaimer of the trust property as well as of the trust; and a release of the trust property by a disclaiming trustee to his co-trustees is improper, as purporting to accept and deal with the property (*Crewe v Dicken* (1798) 4 Ves 97; *Urch v Walker* (1838) 3 My & Cr 702), but it is not fatal to the disclaimer if the intention to disclaim is otherwise clear (*Nicloson v Wordsworth* supra; *Sharp v Sharp* (1819) 2 B & Ald 405; *Lord Wellesley v Withers* (1855) 4 E & B 750).
9 See *Ladbroke v Bleaden* (1852) 16 Jur 630; *Foster v Dawber* (1860) 1 Drew & Sm 172.
10 *M'Kenna v Eager* (1875) IR 9 CL 79; *Re Gordon, Roberts v Gordon* (1877) 6 ChD 531 at 534 per Jessel MR.
11 *Re Gordon, Roberts v Gordon* (1877) 6 ChD 531 at 534.

813. Disclaimer after lapse of time. The execution of a formal disclaimer after a lapse of time is good if the trustee who executes it has never in the meantime acted or consented to act in the trust[1]. The inference to be drawn from the conduct of a trustee who has not over a long period of years executed a formal disclaimer, or expressly declined to act in the trust, is a matter in respect of which there has been a difference of judicial opinion: one view is that the presumption of acceptance of the trust increases with each year of the period of inaction[2]; the other view is that every year of the period of inaction fortifies the presumption of disclaimer[3].

1 *Peppercorn v Wayman* (1852) 5 De G & Sm 230 at 235.
2 *Re Uniacke* (1844) 1 Jo & Lat 1 (a decision of Sugden LC (then Lord Chancellor of Ireland) in the case of a settlement); *Re Needham* (1844) 1 Jo & Lat 34 (another decision of Sugden LC, but in connection with a will).
3 *Re Clout and Frewer's Contract* [1924] 2 Ch 230 (where Lord Buckmaster (sitting as an additional judge of the Chancery Division) doubted the decisions in *Re Uniacke* (1844) 1 Jo & Lat 1 and *Re Needham* (1844) 1 Jo & Lat 34 (both cited in note 2 supra) and applied the principles of *Re Gordon, Roberts v Gordon* (1877) 6 ChD 531 and *Re Birchall, Birchall v Ashton* (1889) 40 ChD 436, CA). It is considered that the view held by Lord Buckmaster is correct. Cf *Noble v Meymott* (1851) 14 Beav 471; *Paddon v Richardson* (1855) 7 De GM & G 563.

814. Effect of disclaimer. A disclaimer or refusal to act in the trust takes effect ab initio and vests the trust property, as from the date when the trust disposition came into

operation, exclusively in the trustees who consent to act[1]. If all the trustees disclaim, the property revests in the disposer, or, if he is dead, in his legal representative, who becomes by operation of law the trustee of the property for the purposes of the trust[2].

The disclaimer of the trustee, or of all the trustees nominated by the disposer, does not avoid the trust[3], but a new trustee will be appointed by a court of equity to execute it[4].

A person who has disclaimed or refused a trust reposed in him cannot afterwards act in it, even by exercising the power of appointing a new trustee[5]; and he does not become a trustee by subsequently acting in connection with the trust as agent of the accepting trustees[6] or as adviser of the beneficiaries[7].

1 *Smith v Wheeler* (1671) 1 Vent 128; *Adams v Taunton* (1820) 5 Madd 435; *Small v Marwood* (1829) 9 B & C 300 at 307; *Doe d Chidgey v Harris* (1847) 16 M & W 517 at 524 per Parke B; *Peppercorn v Wayman* (1852) 5 De G & Sm 230; *Re Birchall, Birchall v Ashton* (1889) 40 ChD 436, CA. Consequently, dispositions of the trust property by the other trustees are effectual before the disclaiming trustee has executed the disclaimer or has even become aware of his appointment as a trustee: *Peppercorn v Wayman* supra.

2 *Mallot v Wilson* [1903] 2 Ch 494 at 502–503 per Byrne J. After all, the settlor has done everything in his power to constitute the trust: cf *Re Rose, Rose v IRC* [1952] Ch 499, [1952] 1 All ER 1217, CA (where the settlor had executed share transfers and delivered the share certificates when it was possible that the directors might refuse to register the transfers).

3 *Robson v Flight* (1865) 4 De GJ & Sm 608 at 613 per Lord Westbury LC.

4 *A-G v Stephens* (1834) 3 My & K 347 at 352. As to appointment by the court see para 849 et seq post.

5 *Re Birchall, Birchall v Ashton* (1889) 40 ChD 436 at 437, CA. As to the exercise of the statutory power of appointment by the executor of a last surviving trustee when the executor intends to renounce see the Trustee Act 1925 s 36(5); and para 836 note 12 post.

6 *Dove v Everard* (1830) 1 Russ & M 231; *Lowry v Fulton* (1839) 9 Sim 104 at 115, 124.

7 *Stacey v Elph* (1833) 1 My & K 195 at 198.

815. Costs of disclaiming trustee. A trustee who disclaims is entitled to his expenses of disclaiming out of the trust fund[1] and to his costs of any proceedings to which he is made a party on the footing of being a trustee[2], except so far as he incurs or occasions costs beyond those actually incidental to making good his disclaimer[3].

1 *Re Tryon* (1844) 7 Beav 496.

2 *Sherratt v Bentley* (1830) 1 Russ & M 655; *Norway v Norway* (1834) 2 My & K 278; *Bray v West* (1838) 9 Sim 429; *Benbow v Davies* (1848) 11 Beav 369; *Bulkeley v Earl of Eglinton* (1855) 1 Jur NS 994; *Heap v Jones* (1856) 5 WR 106; *Legg v Mackrell* (1860) 2 De GF & J 551. Cf *Howard v Rhodes* (1837) 1 Keen 581 (where costs were not allowed to a trustee who, after having acted, declined to perform the trust reposed in him and thereby rendered necessary a suit for the appointment of a new trustee).

3 *Martin v Persse* (1828) 1 Mol 146.

C. FAILURE OF ORIGINAL APPOINTMENT; DEVOLUTION

816. Constructive trustee in default of express trustee. Where, owing to no person having been originally effectively appointed a trustee by the testator[1], or to the trustees having all predeceased the testator[2], or to the trustees all disclaiming the will or inter vivos trust[3], the trust property becomes in law vested in a person who is a stranger to the trust, he is in equity a constructive trustee of the property and holds it upon the trust to which it is subject[4].

1 *Sonley v Clock-makers' Co* (1780) 1 Bro CC 81; *Dodkin v Brunt* (1868) LR 6 Eq 580; *Re Davis' Trusts* (1871) LR 12 Eq 214.

2 *A-G v Hickman* (1732) 2 Eq Cas Abr 193 at 194; *A-G v Lady Downing* (1767) Wilm 1 at 19, 22, 24; *Moggridge v Thackwell* (1792) 1 Ves 464 at 475 per Lord Thurlow LC (on rehearing (1803) 7 Ves 36; affd (1807) 13 Ves 416, HL).

3 *Fletcher v Fletcher* (1844) 4 Hare 67; *Robson v Flight* (1865) 4 De GJ & Sm 608; *Mallott v Wilson* [1903] 2 Ch 494.

4 *Sonley v Clock-makers' Co* (1780) 1 Bro CC 81; *Re Davis' Trusts* (1871) LR 12 Eq 214. As to the failure of trustees see para 807 ante.

817. Trusteeship by devolution. Upon the death of a trustee leaving no co-trustee surviving, the terms of the instrument creating the trust may be such as to invest the person on whom the trust property then devolves with the office and powers of a trustee[1]. If he is the personal representative, such a person has an absolute right to decline to accept the position and duties of trustee[2] and is liable at any time to be deprived of the office and powers by the appointment of new trustees[3]; if such an appointment is made, he ceases to be a trustee unless he is thereby appointed a new trustee[4]. Subject to any direction to the contrary in the instrument[5] creating the trust, the legal personal representatives or representative of a sole trustee or, where there were two or more trustees, of the last surviving or continuing trustee, may, until the appointment of new trustees[6], exercise or perform any power or trust given to or capable of being exercised by the sole or last surviving or continuing trustee, or other the trustees or trustee for the time being of the trust[7].

1 *Re Morton and Hallett* (1880) 15 ChD 143 at 146–147, CA, per Jessel MR, and at 149 per James LJ; *Re Jordan, Hayward v Hamilton* [1904] 1 Ch 260 at 262 et seq per Byrne J; *Re Waidanis, Rivers v Waidanis* [1908] 1 Ch 123, CA. Real estate now devolves by statute on the personal representative of a sole or last surviving trustee: see para 731 ante.
2 *Re Benett, Ward v Benett* [1906] 1 Ch 216 at 225, CA. As to disclaimer by a trustee by devolution see para 812 ante.
3 *Re Morton and Hallett* (1880) 15 ChD 143 at 149, CA; *Re Jordan, Hayward v Hamilton* [1904] 1 Ch 260 at 262 et seq; *Re Routledge's Trusts, Routledge v Saul* [1909] 1 Ch 280.
4 *Re Morton and Hallett* (1880) 15 ChD 143 at 149, CA; *Re Routledge's Trusts, Routledge v Saul* [1909] 1 Ch 280. See also the Trustee Act 1925 s 18(2); and the text and notes 5–7 infra.
5 For these purposes, 'instrument' includes Act of Parliament: ibid s 68(1) para (5).
6 These words confirm the decision in *Re Routledge's Trusts, Routledge v Saul* [1909] 1 Ch 280 (see the text and note 4 supra).
7 See the Trustee Act 1925 ss 18(2), 69(2); and para 981 post. For the meaning of 'personal representative' see para 602 note 1 ante. Section 18 takes effect subject to the statutory restrictions imposed in regard to receipts by a sole trustee, not being a trust corporation: s 18(3). As to such restrictions see paras 799, 804 ante, 822 post. Except where otherwise expressly provided, the Trustee Act 1925 applies to trusts whenever created: see s 69(1); and para 603 note 1 ante.

(ii) Appointment of New Trustees

A. IN GENERAL

818. Mode of appointment. A new trustee is appointed:

(1) under a power for that purpose conferred by the trust disposition[1];
(2) under the power for the purpose conferred by the Trustee Act 1925[2];
(3) under the power conferred on beneficiaries by the Trusts of Land and Appointment of Trustees Act 1996[3];
(4) by a donee of a power of attorney[4];
(5) by a court of competent jurisdiction[5]; or
(6) in the case of charitable trusts, by the Charity Commission[6].

An appointment of new trustees is complete before the trust estate is transferred to them[7]. The costs of and incidental to the appointment of a new trustee are payable out of the capital of the trust property[8].

1 *Tempest v Lord Camoys* (1882) 21 ChD 571 at 578, CA, per Jessel MR. The power may be exercised even when the trust is being administered by the court: *Tempest v Lord Camoys* supra at 578. A power to appoint trustees of a settlement may be imported by reference to an earlier settlement: *Re Sichel's Settlements, Sichel v Sichel* [1916] 1 Ch 358 at 361 per Neville J.
2 See the Trustee Act 1925 s 36 (as amended); and para 835 et seq post.
3 See para 845 et seq post.
4 See para 848 post. As to powers of attorney generally see AGENCY vol 2(1) (Reissue) para 44.
5 As to appointment by the court generally see para 849 et seq post.

6 As to the appointment of trustees of charitable trusts, and as to the Charity Commission, see CHARITIES.
7 *Noble v Meymott* (1851) 14 Beav 471 at 478 per Romilly MR.
8 *Re Fulham* (1850) 15 Jur 69; *Ex p Davies* (1852) 16 Jur 882; *Lord Brougham v Lord Poulett* (1855) 19 Beav 119; *Re Fellows' Settlement* (1856) 2 Jur NS 62; *Carter v Sebright* (1859) 26 Beav 374 at 376–377 per Romilly MR; *Harvey v Olliver* (1887) 57 LT 239 at 240–241 per Kay J. As to the payment of expenses generally see para 748 ante.

B. APPOINTMENT UNDER POWER IN TRUST DISPOSITION

(A) In general

819. Terms and mode of appointment. An appointment of a new trustee under a power for that purpose contained in the trust disposition must be in accordance in all material respects with the terms of the power[1]. It should in strictness be made by direct operative words[2], but it may be effected by a recital or statement in a deed to which the appointor is a party to the effect that he has appointed a certain person as a new trustee or that such person is the present trustee[3]. Where several persons have a power of appointing a new trustee, they may, in the absence of any direction to the contrary, exercise the power by separate instruments[4].

1 *Lancashire v Lancashire* (1848) 2 Ph 657. In the case of a public trust, the non-compliance with a direction in the instrument of trust that new trustees are to be appointed by the surviving trustees, whenever they are reduced to a certain number, does not vitiate the title of the trustees appointed by a smaller number of surviving trustees: *A-G v Cuming* (1843) 2 Y & C Ch Cas 139.
2 *Miller v Priddon* (1852) 1 De GM & G 335.
3 *Re Farnell's Settled Estates* (1886) 33 ChD 599.
4 *Warburton v Sandys* (1845) 14 Sim 622 at 631 per Shadwell V-C.

820. Communication with beneficiaries. Where the power of appointment is vested in the subsisting trustees, they should, before exercising it, communicate with the beneficiaries who are sui juris, and take into account their reasonable wishes on the subject[1]. They are, however, not bound to follow the beneficiaries' wishes even if the beneficiaries are all sane, adult and collectively entitled to the whole beneficial interest; the collective power is a power to determine the trust but not to appoint new trustees under it while it still subsists[2].

1 *O'Reilly v Alderson* (1849) 8 Hare 101 at 102 et seq per Wigram V-C.
2 *Re Higginbottom* [1892] 3 Ch 132; *Re Brockbank, Ward v Bates* [1948] Ch 206, [1948] 1 All ER 287.

821. Non-interference by the court. The court does not interfere with the appointment of new trustees by the persons in whom the power of appointment is vested[1]. After proceedings have been instituted in court for administering the trust, they can still exercise the power, unless by the order made in the administration proceedings the power is withdrawn from them and not merely suspended[2]; but their nominee must be approved by the court[3].

1 *Re Hodson's Settlement* (1851) 9 Hare 118; *Thomas v Williams* (1883) 24 ChD 558 at 567–568; *Re Higginbottom* [1892] 3 Ch 132; *Re Brockbank, Ward v Bates* [1948] Ch 206, [1948] 1 All ER 287. It is otherwise where the donee of the power is a minor: *Re Parsons, Barndale and Smallman v Parsons* [1940] Ch 973, [1940] 4 All ER 65. The court does not interfere even though the appointment is undesirable: *Re Coode, Coode v Foster* (1913) 108 LT 94. Cf *Re Cotter, Jennings v Nye* [1915] 1 Ch 307.
2 *Middleton v Reay* (1849) 7 Hare 106; *Re Sales, Sales v Sales* [1911] WN 194; *Re Cotter, Jennings v Nye* [1915] 1 Ch 307.
3 *Webb v Earl of Shaftesbury, Earl of Shaftesbury v Arrowsmith* (1802) 7 Ves 480; *Cafe v Bent* (1843) 3 Hare 245; *Graham v Graham* (1853) 16 Beav 550; *Tempest v Lord Camoys* (1882) 21 ChD 571 at 578, CA, per Jessel MR; *Re Gadd, Eastwood v Clark* (1883) 23 ChD 134, CA; *Thomas v Williams* (1883) 24 ChD 558 at 567–568; *Re Norris, Allen v Norris* (1884) 27 ChD 333. Their proper course after judgment has been obtained is to submit to the court the names of the persons whom they propose to appoint: *Re Hall, Hall*

v Hall (1885) 54 LJ Ch 527. If these persons are deemed improper by the court, the persons in whom the power of appointment is vested have the right to propose others: *Re Gadd, Eastwood v Clark* supra at 137. A judicial trustee is, however, an officer of the court and has no power of appointing his successor: *Re Johnston, Mills v Johnston* [1911] WN 234.

822. Number to be appointed. Where the power authorises the appointment of one or more person or persons or of any person or persons to be a trustee or trustees in the place of a trustee or trustees, the place of a trustee may be filled up by the appointment of more than one new trustee[1]. The original number of trustees need not, however, be maintained on an appointment of new trustees[2] unless the language of the trust disposition expressly or impliedly so directs[3].

In the case of settlements of land and dispositions creating trusts of land, the number of trustees who may be appointed is limited by statute[4]. The number of trustees must not be increased beyond four[5]. This restriction does not apply in the case of: (1) land vested in trustees for charitable, ecclesiastical or public purposes[6]; or (2) where the net proceeds of the sale of the land are held for like purposes[7]; or (3) to trustees of a term of years absolute limited by a settlement on trusts for raising money[8], or of the like terms created under the statutory remedies[9] relating to annual sums charged on land[10].

Notwithstanding anything to the contrary in the vesting instrument, capital money arising under the Settled Land Act 1925[11] is not to be paid to fewer than two persons as trustees of a settlement, unless the trustee is a trust corporation[12]. Similarly, notwithstanding anything to the contrary in the instrument (if any) creating a trust of land or in any trust affecting the net proceeds of sale of the land if it is sold, the proceeds of sale or other capital money are not to be paid to or applied by the direction of fewer than two persons as trustees except where the trustee is a trust corporation[13]. Further a conveyance or deed must be made by at least two trustees or a trust corporation to overreach any powers or interests affecting a legal estate in land[14]. These rules are sometimes referred to as the 'two trustee rules'.

No effective appointment under the Trustee Act 1925[15] of a sole trustee, not being a trust corporation, can be made where the trustee, when appointed, would not be able to give valid receipts for all capital money arising under the trust[16].

1 *Meinertzhagen v Davis* (1844) 1 Coll 335; *Hillman v Westwood* (1854) 24 LJ Ch 57; but see *Re Clark, ex p Davis* (1843) 2 Y & C Ch Cas 468. See also para 840 post.
2 *Emmet v Clark* (1861) 3 Giff 32 at 35 per Stuart V-C. See also para 840 post.
3 *Earl Lonsdale v Beckett* (1850) 4 De G & Sm 73; *Re Cunningham and Bradley's Contract for Sale to Wilson* [1877] WN 258; cf *Cohen v Bayley-Worthington* [1908] AC 97, HL.
4 As to the limitation of the number of trustees in these cases generally see para 804 ante. For the meaning of 'trust of land' see para 605 note 5 ante.
5 Trustee Act 1925 s 34(2)(b) (amended by the Trusts of Land and Appointment of Trustees Act 1996 s 25(1), Sch 3 para 3(9)). As to the effect of more than four persons being named as trustees see para 804 ante.
6 Trustee Act 1925 s 34(3)(a).
7 Ibid s 34(3)(b).
8 See SETTLEMENTS vol 42 (Reissue) para 727 et seq.
9 See the Law of Property Act 1925 s 121(4); and RENTCHARGES AND ANNUITIES vol 39(2) (Reissue) paras 874–875.
10 Trustee Act 1925 s 34(3)(c).
11 As to such capital money see SETTLEMENTS vol 42 (Reissue) para 795.
12 See the Settled Land Act 1925 ss 18(1)(c), 94(1); and SETTLEMENTS vol 42 (Reissue) para 786. As to trust corporations see para 798 et seq ante.
13 See the Law of Property Act 1925 s 27(2) (as substituted and amended); and SALE OF LAND vol 42 (Reissue) para 312.
14 See ibid s 2(1), (2) (as amended); and REAL PROPERTY vol 39(2) (Reissue) para 249.
15 As to such appointments generally see para 835 et seq post.
16 Trustee Act 1925 s 37(2). As to keeping up the number of trustees in these cases on the discharge of a trustee see para 840 post.

(B) Cases in which Appointment may be made

823. Appointment in place of trustee who dies or disclaims. A power of appointment of new trustees authorises the appointment of a trustee in the place of a named original trustee who dies before the trust takes effect[1], or who disclaims the trust without having ever acted in it[2], unless a contrary intention is indicated by the language of the instrument which contains the power[3].

A power to appoint a trustee in the place of one who desires to be discharged from or declines or refuses to act in the trust authorises an appointment in the place of one who has never acted in and who disclaims the trust[4], or of one who under the Trustee Act 1925[5] pays the trust fund into court[6].

1 Eg where a trustee named in a will predeceases the testator: *Re Hadley, ex p Hadley* (1851) 5 De G & Sm 67; *Nicholson v Wright* (1857) 26 LJ Ch 312.
2 *Noble v Meymott* (1851) 14 Beav 471 at 477 per Romilly MR.
3 *Winter v Rudge* (1847) 15 Sim 596.
4 *Noble v Meymott* (1851) 14 Beav 471 at 477 per Romilly MR.
5 As to payment into court by trustees see the Trustee Act 1925 s 63 (as amended); and para 917 et seq post.
6 *Re Williams' Settlement* (1858) 4 K & J 87.

824. Bankruptcy and incapacity. An appointment of a new trustee in the place of one who becomes bankrupt is authorised by a power to appoint a new trustee in the place of a trustee who becomes unfit to act[1], but not by a power to appoint in the place of one who is incapable of acting[2]. A power in the last-mentioned form refers exclusively to personal incapacity[3], and therefore authorises an appointment in the place of a trustee lacking mental capacity[4]. Absence abroad does not constitute unfitness or incapacity on the part of a trustee[5]; and a direction that a trustee ceases to fill the post on departing from the United Kingdom from any cause and in any circumstances does not apply to a mere temporary absence[6]. If, however, the power extends to appointing a new trustee in the place of one going to reside abroad or being abroad, and that event happens, the power should be exercised, and a beneficiary may call upon the donee of the power to exercise it[7].

1 *Re Roche* (1842) 1 Con & Law 306; *Re Wheeler and De Rochow* [1896] 1 Ch 315.
2 *Turner v Maule* (1850) 15 Jur 761; *Re Watts's Settlement* (1851) 9 Hare 106.
3 *Turner v Maule* (1850) 15 Jur 761; *Re Watts's Settlement* (1851) 9 Hare 106; *Re Bignold's Settlement Trusts* (1872) 7 Ch App 223.
4 *Re East, Re Bellwood's Will Trusts* (1873) 8 Ch App 735. As to the appointment under the Trustee Act 1925 of a new trustee in place of a mentally disordered trustee, or a trustee who lacks capacity to exercise his functions as trustee see para 838 post. As to the appointment under the Trusts of Land and Appointment of Trustees Act 1996 of a substitute for an incapable trustee see para 846 post.
5 *Withington v Withington* (1848) 16 Sim 104; *O'Reilly v Alderson* (1849) 8 Hare 101; *Re Harrison's Trusts* (1852) 22 LJ Ch 69; *Re Bignold's Settlement Trusts* (1872) 7 Ch App 223. The contrary has been held where a trustee had for many years a foreign domicile: see *Mennard v Welford* (1853) 1 Sm & G 426.
6 *Re Moravian Society* (1858) 26 Beav 101; *Re Walker, Summers v Barrow* [1901] 1 Ch 259.
7 *O' Reilly v Alderson* (1849) 8 Hare 101; *Re Earl of Stamford, Payne v Stamford* [1896] 1 Ch 288.

(C) Who may appoint New Trustees

825. Persons designated. The power of appointment is vested in the person or persons, if any, named or designated in the instrument creating the trust[1].

Where an executory trust disposition contemplates a future appointment of trustees without prescribing by whom it is to be made, it cannot be made by the tenant for life for the time being of the trust property[2].

1 A minor may appoint a new trustee but will not be bound by an act which is either imprudent or prejudicial to his interest or which, where he is executing an authority entrusted to him, touches his interest: *Re Parsons, Barnsdale and Smallman v Parsons* [1940] Ch 973, [1940] 4 All ER 65.
2 *Brasier v Hudson* (1837) 9 Sim 1 at 11, 16.

826. Beneficiaries. Where a power of appointing new trustees is conferred on a person by name who is beneficially interested in the trust property, he may exercise the power even though he has incumbered or alienated his beneficial interest[1].

A power to named beneficiaries to appoint new trustees with the consent or concurrence of the surviving or continuing trustees or trustee for the time being is exercisable by them at their sole discretion when there is no trustee living or continuing to act[2].

1 *Hardaker v Moorhouse* (1884) 26 ChD 417; and see *Raikes v Raikes* (1863) 32 Beav 403.
2 *Morris v Preston* (1802) 7 Ves 547 at 551 et seq; *Re Roche* (1842) 1 Con & Law 306.

827. Surviving and continuing trustee. Where the power to appoint new trustees is vested in the trustees who are for the time being surviving, even though it is given to the original trustees by name, it is annexed to their office[1]. Therefore, it may be exercised by a single continuing trustee during the life of another of the original trustees who has disclaimed the trust[2].

Where an express power of appointment is vested in the surviving or continuing trustees, it cannot be exercised by a trustee who declines to act[3], or who is retiring from the trust[4], but is exercisable independently of him by the other trustees who are actually continuing in the trust[5]. Where, however, the power is vested in the surviving or continuing or other trustee or trustees, it is exercisable by a retiring trustee[6].

1 *Cafe v Bent* (1845) 5 Hare 24 at 37 per Wigram V-C; cf *Re Smith, Eastick v Smith* [1904] 1 Ch 139 at 144; *Re Bacon, Toovey v Turner* [1907] 1 Ch 475.
2 *Cafe v Bent* (1845) 5 Hare 24 at 37.
3 *Nicholson v Wright* (1857) 26 LJ Ch 312; *Travis v Illingworth* (1865) 2 Drew & Sm 344.
4 *Stones v Rowton* (1853) 17 Beav 308. A declining or retiring trustee may be, and often is, expressly or impliedly empowered to appoint or join in the appointment in like manner as if he were a continuing trustee: *Re Hadley, ex p Hadley* (1851) 5 De G & Sm 67; *Emmet v Clark* (1861) 3 Giff 32; *Re Glenny and Hartley* (1884) 25 ChD 611. As to the statutory power see para 836 post.
5 *Re Norris, Allen v Norris* (1884) 27 ChD 333; *Re Coates to Parsons* (1886) 34 ChD 370.
6 *Lord Camoys v Best* (1854) 19 Beav 414.

828. Acting trustee or representatives of last trustee. Where an express power of appointing new trustees is vested in the acting trustees or trustee for the time being or the executors or administrators of the last acting trustee, the representatives of the last surviving trustee, having the trust property vested in them and being capable in law of executing the trust, are acting trustees who may exercise the power[1]. Similarly, where the power is vested in a named person, his executors or administrators or assigns, it is validly exercised after his death by his acting executors without the concurrence of another who has renounced probate of his will[2].

Unless the instrument creating the trust contains a direction to the contrary, a power of appointment of new trustees capable of being exercised by a sole or last surviving or continuing trustee, or other the trustees or trustee for the time being of the trust, may be exercised by the personal representatives of such a trustee[3].

1 *Re Cunningham and Frayling* [1891] 2 Ch 567. Where the power was vested in the acting executors or administrators of the last surviving trustee, of whom, after his death, there was no legal personal representative, administration of his estate was granted to the guardian of beneficiaries who were minors, limited to the appointment of the guardian and another person as new trustees and to the obtaining of a transfer of the trust funds to them: *Re Jackson* (1881) 7 LR Ir 318.

2 *Earl Granville v M'Neile* (1849) 7 Hare 156. Where a power of appointing new trustees is given to a corporation which is dissolved, a surviving trustee may exercise the statutory power of appointment: *Re Spencer, Duncan v Royal Geological Society* (1916) 33 TLR 16.
3 See the Trustee Act 1925 ss 18(2), 69(2); and para 817 ante. For the meaning of 'personal representative' see para 602 note 1 ante.

829. Trustee abroad. On the death of one trustee, a power of a subsisting trustee to appoint a new trustee in the place of a trustee dying, or going to reside abroad, may be exercised by the surviving trustee, notwithstanding that he is himself residing abroad[1].

1 *O'Reilly v Alderson* (1849) 8 Hare 101.

830. Powers where person is mentally disordered or lacking capacity. Until 1 October 2007[1], where the person in whom a power of appointing new trustees is vested or who has power to consent to such appointment is incapable by reason of mental disorder of managing and administering his property and affairs, the judge[3] may make such orders or give such directions or authorities for the exercise of the power as he thinks fit[4]. The judge may also make such consequential vesting or other orders as respects the trust property as the case may require[5].

As from 1 October 2007[6], where the person in whom a power of appointing new trustees is vested or who has power to consent to such appointment lacks capacity in relation to the matter[7], the Court of Protection[8] may by making an order make decisions on behalf of the person concerned in relation to the matter[9]. The court may also make such further orders or give such directions as it thinks necessary or expedient for giving effect to such order[10].

1 The Mental Health Act 1983 Pt VII (ss 93–113) (as amended) is repealed by the Mental Capacity Act 2005 ss 66(1)(a), (2), 67(2), Sch 7 as from 1 October 2007: see the Mental Capacity Act 2005 (Commencement No 2) Order 2007, SI 2006/1897.
2 Ie a person who is a patient for the purposes of the Mental Health Act 1983 Pt VII (ss 93–113) (as amended; prospectively repealed (see note 1 supra)): see MENTAL HEALTH vol 30(2) (Reissue) para 681.
3 For the meaning of 'judge' for these purposes see MENTAL HEALTH vol 30(2) (Reissue) para 674.
4 See the Mental Health Act 1983 s 96(1)(k) (prospectively repealed: see note 1 supra); and MENTAL HEALTH vol 30(2) (Reissue) para 701 et seq. In making any such order or giving any such direction or authority, the judge must have regard first of all to the requirements of the patient: see s 95(2) (prospectively repealed: see note 1 supra); and MENTAL HEALTH vol 30(2) (Reissue) para 682. The judge may appoint a receiver to exercise any power vested in the patient with regard to the appointment of new trustees: see s 99(1), (2) (prospectively repealed: see note 1 supra); and MENTAL HEALTH vol 30(2) (Reissue) para 704 et seq.
5 See ibid s 96(2) (prospectively repealed: see note 1 supra); and MENTAL HEALTH vol 30(2) (Reissue) para 692. The orders which may be made include any order which could have been made under the Trustee Act 1925 Pt IV (ss 41–63A) (as amended) in such a case: see the Mental Health Act 1983 s 96(2) (prospectively repealed: see note 1 supra); and MENTAL HEALTH vol 30(2) (Reissue) para 692. As to the extent of the concurrent jurisdiction with the High Court of the authority having jurisdiction under Pt VII (as amended) in relation to patients who are trustees see the Trustee Act 1925 s 54 (as substituted and amended); and para 851 post. See also MENTAL HEALTH vol 30 (Reissue) para 718 et seq.
6 The Mental Capacity Act 2005 Pt 2 (ss 45–61) comes into force on 1 October 2007: see the Mental Capacity Act 2005 (Commencement No 2) Order 2007, SI 2006/1897.
7 A person lacks capacity in relation to a matter if at the material time he is unable to make a decision for himself in relation to the matter because of an impairment of, or a disturbance in the functioning of, the mind or brain: see the Mental Capacity Act 2005 s 2(1); and MENTAL HEALTH vol 30(2) (Reissue) para 641. As to persons who lack capacity generally see Pt 1 (ss 1–44); and MENTAL HEALTH vol 30(2) (Reissue) para 641 et seq.
8 As to the Court of Protection see MENTAL HEALTH vol 30(2) (Reissue) para 750.
9 See the Mental Capacity Act 2005 ss 16(1)(b), (2)(a), 18(1)(j); and MENTAL HEALTH vol 30(2) (Reissue) paras 757, 759. The powers of the Court of Protection under s 16 are subject to the provisions of the Mental Capacity Act 2005 and, in particular, to s 1 (the principles) (see MENTAL HEALTH vol 30(2) (Reissue) para 641) and s 4 (best interests) (see MENTAL HEALTH vol 30(2) (Reissue) para 642): see s 16(4); and MENTAL HEALTH vol 30(2) (Reissue) para 757. Although the Court of Protection has power to appoint a deputy under s 16(2)(b) to make decisions on behalf of a person lacking capacity, a deputy

may not be given powers with respect to the exercise of any power (including a power to consent) vested in the person concerned whether beneficially or as a trustee or otherwise: see s 20(3)(c); and MENTAL HEALTH vol 30(2) (Reissue) para 760. As to transitional provisions and savings where a receiver was appointed under the Mental Health Act 1983 s 99 (prospectively repealed: see note 1 supra) see the Mental Capacity Act 2005 s 66(4), Sch 5 para 1; and MENTAL HEALTH vol 30(2) (Reissue) para 406.

10 See ibid ss 16(5), 18(1)(j); and MENTAL HEALTH vol 30(2) (Reissue) paras 757, 759. The orders which may be made include any order which could have been made under the Trustee Act 1925 Pt IV (ss 41–63A) (as amended) (see para 973 post et seq) in such a case: see the Mental Capacity Act 2005 s 18(4), Sch 2 para 5(2); and MENTAL HEALTH vol 30(2) (Reissue) para 759.

As to the extent of the concurrent jurisdiction of the High Court with the Court of Protection in relation to a person who lacks capacity to exercise his functions as trustee see the Trustee Act 1925 s 54 (as substituted); para 851 post; and MENTAL HEALTH vol 30(2) (Reissue) para 721.

(D) Who may be appointed as New Trustee

831. Donee of power. The person in whom the power of appointing new trustees is vested cannot appoint himself as a new trustee if the appointment directs the appointment of some 'other' person or persons or if the power is vested in him by virtue of his fiduciary position in relation to the trust[1]. The legal personal representative of a trustee, when invested with a power of appointing new trustees in which the word 'other' does not occur, may, however, exercise it by appointing himself[2].

1 *Re Skeats' Settlement, Skeats v Evans* (1889) 42 ChD 522; *Re Newen, Newen v Barnes* [1894] 2 Ch 297. See also para 836 note 15 post.

2 *Re Jackson* (1881) 7 LR Ir 318; *Montefiore v Guedalla* [1903] 2 Ch 723. See also *Tempest v Lord Camoys* (1888) 58 LT 221 at 224 per Chitty J. Where the power of appointment is vested in the acting trustee with the consent of the tenant for life, he may appoint the tenant for life: *Forster v Abraham* (1874) LR 17 Eq 351.

832. Person with conflict of interest. A person whose circumstances might give rise to a conflict of interest may be appointed validly as a trustee notwithstanding that the court would not have made or sanctioned the appointment if asked to do so[1].

1 *Re Earl of Stamford, Payne v Stamford* [1896] 1 Ch 288 (a beneficiary for life invested with the power of appointment may appoint his own solicitor as a new trustee if the appointment is in other respects unobjectionable); cf *Re Cotter, Jennings v Nye* [1915] 1 Ch 307. The appointment as trustees of two solicitors in partnership together would not necessarily be invalid, although obviously inexpedient: *Re Norris, Allen v Norris* (1884) 27 ChD 333 at 341 per Pearson J. A bank is not prevented from being appointed a new trustee merely because one or more or all of the beneficiaries happen to be its customers: *Re Northcliffe's Settlements* [1937] 3 All ER 804, CA. The fact that a trustee is a director of a company some of whose shares are held by the trustees, that he is a personal shareholder in the same company and a member of the class of discretionary beneficiaries does not of itself make his appointment invalid or give grounds for his removal: *Isaac v Isaac* [2005] EWHC 435 (Ch), [2005] All ER (D) 379 (Mar). 'If an actual conflict arises the law will expect the trustee to handle it carefully and appropriately in the circumstances, but no-one suggests that such persons cannot be validly appointed in the first place': *Isaac v Isaac* supra at [76] per Parkes J. As to appointment by the court exercising an original discretion see paras 861–862 post.

833. Aliens and corporations. Unless expressly forbidden by the terms of the power, the appointment of an alien or person out of the jurisdiction is valid[1]. Where new trustees outside the jurisdiction are appointed to replace existing trustees, the trust ceases to be within the jurisdiction of the court. This is referred to as exporting, or emigrating, a trust. If for their own protection trustees or other appointors seek the authorisation of the court, the court is concerned to ensure that the proposed exercise of the trustees' power of appointment is lawful and within the power and that it does not infringe the trustees' duty to act as ordinary, reasonable and prudent trustees would act, but it requires only to be satisfied that the trustees can properly form the view that the proposed transaction is for the benefit of the beneficiaries or the trust estate[2].

Where the terms of the power admit of it, a corporation may be appointed a new trustee[3].

1 *Meinertzhagen v Davis* (1844) 1 Coll 335. See also *Re Smith's Trusts* [1872] WN 134; *Re Cunard's Trusts* (1878) 48 LJ Ch 192. Cf *Re Whitehead's Will Trusts, Burke v Burke* [1971] 2 All ER 1334, [1971] 1 WLR 833.
2 *Richards v Mackay* (1987) 11 Tru LI 23 (where it was said that the language of Pennycuick J in *Re Whitehead's Will Trusts, Burke v Burke* [1971] 2 All ER 1334, [1971] 1 WLR 833 was too restrictive in the circumstances of the present day); *Re Beatty's Will Trusts (No 2)* (1987) 11 Tru LI 77. As to appointment by the court exercising an original discretion see para 863 post.
3 *Re Thompson's Settlement Trusts, Thompson v Alexander* [1905] 1 Ch 229 (where the power was 'to appoint a new trustee or new trustees' and not simply an individual or individuals to be a new trustee or new trustees).

834. Appointment of trustees of land. Appointments of new trustees of land[1] and of new trustees of any trust of the proceeds of sale of the land must be made in such manner as to secure that the same persons become trustees of land and trustees of the trust of the proceeds of sale[2].

1 For the meaning of 'land' see para 605 note 5 ante. For the meaning of 'trust of land' as defined by the Trusts of Land and Appointment of Trustees Act 1996 see para 605 note 5 ante.
2 Trustee Act 1925 s 35(1), (4) (s 35(1) substituted by the Trusts of Land and Appointment of Trustees Act 1996 s 25(1), Sch 3 para 3(10)(a)). Appointments must, subject to any order of the court, be effected by separate instruments: see the Trustee Act 1925 s 35(1) (as so substituted). Where new trustees of land are appointed, a memorandum of the persons who are for the time being the trustees of the land must be indorsed on or annexed to the conveyance by which the land was vested in trustees of land; and that conveyance must be produced to persons who are for the time being the trustees of the land by the person in possession of it in order for that to be done when the trustees require its production: s 35(3) (substituted by the Trusts of Land and Appointment of Trustees Act 1996 Sch 3 para 3(10)(b)).

See also the Law of Property Act 1925 s 24(1) (as substituted); and SETTLEMENTS vol 42 (Reissue) para 900. A purchaser is not concerned to see that s 24(1) (as substituted) has been complied with: see s 24(2) (as substituted); and SETTLEMENTS vol 42 (Reissue) para 900. It applies whenever the trust of land and the trust of proceeds of sale were created or arose: see s 24(3) (as substituted); and SETTLEMENTS vol 42 (Reissue) para 900.

C. APPOINTMENT OF NEW TRUSTEES UNDER THE TRUSTEE ACT 1925

835. Statutory power of appointment. A new trustee may be appointed under general powers given by statute[1]. These powers apply to trustees for the purposes of the Settled Land Act 1925[2] and to trustees for the purpose of the management of land during a minority[3], whether such trustees are appointed by the court or by the settlement[4] or under provisions contained in any instrument[5], and are in addition to the powers conferred by the instrument, if any, creating the trust; but those powers apply only if and so far as a contrary intention is not expressed in the instrument, if any, creating the trust, and have effect subject to the terms and provisions of that instrument[6].

1 See the Trustee Act 1925 s 36 (as amended) (replacing with slight variations of language the Trustee Act 1893 s 10 (repealed)); and para 836 post. The enactment applies to religious or educational trusts (see *Re Coates to Parsons* (1886) 34 ChD 370; and CHARITIES vol 5(2) (2001 Reissue) para 258), but does not affect the practice of the High Court as to the appointment of new trustees (*Re Aston* (1883) 23 ChD 217, CA, per Jessel MR). As to the appointment of trustees of friendly societies see FRIENDLY SOCIETIES vol 19(1) (Reissue) para 210 et seq.
2 As to the appointment of such trustees see SETTLEMENTS vol 42 (Reissue) para 756. Two or more personal representatives who are trustees of settled land by virtue of the Settled Land Act 1925 s 30(3) (see SETTLEMENTS vol 42 (Reissue) paras 751, 756) can retire and appoint new trustees in their places: *Re Dark, Glover v Dark* [1954] Ch 291, [1954] 1 All ER 681. With limited exceptions, it is no longer possible to create new settlements under the Settled Land Act 1925: see the Trusts of Land and Appointment of Trustees Act 1996 s 2; and para 601 note 6 ante. See also para 724 ante.
3 See the Settled Land Act 1925 s 102 (as amended); and SETTLEMENTS vol 42 (Reissue) para 665 et seq. See also note 2 supra.

4 For the meaning of 'settlement' see para 804 note 1 ante.
5 Trustee Act 1925 s 64(1). For the meaning of 'instrument' see para 817 note 5 ante.
6 Ibid s 69(2).

836. Circumstances in which appointment may be made. Where a trustee, either original or substituted, and whether appointed by a court or otherwise, is dead[1], or remains out of the United Kingdom for more than 12 months[2], or desires to be discharged from all or any of the trusts or powers reposed in or conferred on him[3], or refuses[4], or is unfit[5], to act in such trusts, or is incapable of acting in such trusts[6], or is a minor:

(1) the person or persons nominated for the purpose of appointing new trustees by the instrument[7], if any, creating the trust[8]; or
(2) if there is no such person[9], or no such person able and willing to act[10], then the surviving or continuing trustees or trustee for the time being[11], or the personal representative[12] of the last surviving or continuing trustee[13],

may by writing[14] appoint one or more other persons (whether or not being the persons exercising the power[15]) to be a trustee or trustees in the place of that trustee[16]. An appointment has to be 'in the place of' a retiring trustee, and this cannot be construed so that the appointment of one new trustee would be effective to discharge two retiring trustees[17].

1 The provisions of the Trustee Act 1925 s 36 (as amended) relating to a trustee who is dead include the case of a person nominated trustee in a will but dying before the testator: s 36(8). Where a trustee has been removed under a power contained in the instrument creating the trust, a new trustee or new trustees may be appointed in the place of the trustee who is removed, as if he were dead; and the provisions of s 36 (as amended) apply accordingly but subject to the restrictions imposed (see paras 804, 822 ante) on the number of trustees: s 36(2).
2 This does not make persons resident abroad ineligible to be appointed trustees in appropriate circumstances: see *Re Whitehead's Will Trusts, Burke v Burke* [1971] 2 All ER 1334, [1971] 1 WLR 833; *Richards v MacKay* (1987) 11 Tru LI 23; *Re Beatty's Will Trusts (No 2)* (1987) 11 Tru LI 77.
A trustee who has remained out of the United Kingdom for more than 12 months can be removed against his will: *Re Stoneham's Settlement Trusts, Popkiss v Stoneham* [1953] Ch 59, [1952] 2 All ER 694.
For the meaning of 'United Kingdom' see para 767 note 17 ante.
3 Where a trustee has been removed under a power contained in the instrument creating the trust, a new trustee or new trustees may be appointed in the place of the trustee who is removed, in the case of a corporation, as if the corporation desired to be discharged from the trust; and the provisions of the Trustee Act 1925 s 36 apply accordingly but subject to the restrictions imposed (see paras 804, 822 ante) on the number of trustees: s 36(2).
4 As to acceptance and disclaimer of office see para 808 et seq ante; and as to vacation of office see para 889 et seq post.
5 As to incapacity see para 824 ante.
6 Where a corporation, being a trustee, is or has been dissolved, then, for the purposes of the Trustee Act 1925 s 36 (as amended) and of any enactment replaced thereby, the corporation is deemed to be and to have been from the date of the dissolution incapable of acting in the trusts or powers reposed in or conferred on the corporation: s 36(3). A person who lacks mental capacity is incapable of acting: see para 824 ante. A trustee residing in enemy occupied territory during wartime is not necessarily incapable of acting: *Re May's Will Trusts, May and Stanford v Burch* [1941] Ch 109 (where *Re Sichel's Settlements, Sichel v Sichel* [1916] 1 Ch 358 appears not to have been cited).
7 For the meaning of 'instrument' see para 817 note 5 ante.
8 Trustee Act 1925 s 36(1)(a). This provision must be taken to mean the persons nominated by the instrument in terms which are applicable to the exercise of the statutory power: see *Cecil v Langdon* (1884) 28 ChD 1, CA (decided under earlier similar legislation). It includes persons who are given a general power to appoint new trustees or a new trustee for the settlement: *Re Walker and Hughes' Contract* (1883) 24 ChD 698. Persons empowered by the instrument to appoint a new trustee in, among other events, the event of a trustee becoming incapable, but not in the event of his becoming unfit to act, are not persons nominated to appoint a new trustee in the place of one who becomes unfit to act: *Re Wheeler and De Rochow* [1896] 1 Ch 315, followed with reluctance in *Re Sichel's Settlements, Sichel v Sichel* [1916] 1 Ch 358. As to the exercise of a power of appointment where a trustee is mentally disordered or lacking capacity see para 830 ante.

9 There is no such person if he cannot be found: *Cradock v Witham* [1895] WN 75.

10 This applies where the persons entitled to appoint cannot agree in appointing: *Re Sheppard's Settlement Trusts* [1888] WN 234.

11 A trustee can insist on exercising the power of appointment against the wishes of the majority of the beneficiaries: *Re Higginbottom* [1892] 3 Ch 132. Moreover, although the beneficiaries are together absolutely entitled to the trust property, they are not entitled, so long as the trust subsists, to control the exercise by the trustees of their power of appointing new trustees: *Re Brockbank, Ward v Bates* [1948] Ch 206, [1948] 1 All ER 287. The provisions of the Trustee Act 1925 s 36 (as amended) relating to a continuing trustee include a refusing or retiring trustee if willing to act in the execution of the provisions of s 36 (as amended): s 36(8). His concurrence in the appointment of new trustees is not requisite in the absence of evidence that he is able and willing to concur: *Re Coates to Parsons* (1886) 34 ChD 370. Where a trustee has been removed against his will for being out of the United Kingdom for more than 12 months, he is not 'a refusing or retiring trustee' within the meaning of the Trustee Act 1925 s 36(8), and his concurrence is not required in the appointment of a new trustee: *Re Stoneham's Settlement Trusts, Popkiss v Stoneham* [1953] Ch 59, [1952] 2 All ER 694. As to the power of personal representatives who have cleared the estate to appoint new trustees of the will of the deceased see *Re Cockburn's Will Trusts, Cockburn v Lewis* [1957] Ch 438, [1957] 2 All ER 522; *Re King's Will Trusts, Assheton v Boyne* [1964] Ch 542, [1964] 1 All ER 833. See also para 857 note 2 post; and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) paras 564, 568 et seq.

12 For the meaning of 'personal representative' see para 602 note 1 ante. The power of appointment is exercisable by the executors for the time being (whether original or by representation) of the surviving or continuing trustee who have proved the will of their testator, or by the administrators for the time being of such trustee without the concurrence of any executor who has renounced or not proved (see the Trustee Act 1925 s 36(4)); but a sole or last surviving executor intending to renounce, or all the executors where they all intended to renounce, have power, at any time before renouncing probate, to exercise the power of appointment, if willing to act for that purpose (see s 36(5)). See para 828 ante. An executor intending to renounce can appoint new trustees without thereby accepting the office of executor: see s 36(5). The title of the new trustees to act can, however, be proved only when there has been a grant of probate or of letters of administration with the will annexed: *Re Crowhurst Park, Sims-Hilditch v Simmons* [1974] 1 All ER 991, [1974] 1 WLR 583. Personal representatives are not bound to exercise the power conferred upon them: *Re Knight's Will* (1883) 26 ChD 82 at 89 per Pearson J; on appeal (1884) 26 ChD 82 at 90, CA.

13 Trustee Act 1925 s 36(1)(b). A person who has never acted in the trust is not reckoned as a trustee and therefore, where all the trustees named in a will predecease the testator, the executors of the last survivor of them cannot appoint new trustees: *Nicholson v Field* [1893] 2 Ch 511. The executors of a sole trustee who dies after having acted can, however, exercise the power of appointment: *Re Shafto's Trusts* (1885) 29 ChD 247.

14 The writing must be inter vivos; a sole surviving trustee cannot appoint new trustees by will and, if by his will he appoints general executors and special executors of the trust, the power of appointing new trustees is vested in the general executors: *Re Parker's Trusts* [1894] 1 Ch 707.

15 These words enable the appointor to appoint himself a trustee and so render obsolete the decisions in *Re Newen, Newen v Barnes* [1894] 2 Ch 297 and *Re Sampson, Sampson v Sampson* [1906] 1 Ch 435.

16 Trustee Act 1925 s 36(1). For evidence as to a vacancy in a trust see para 844 post. The power of appointing new trustees is subject to the statutory restrictions on the number of trustees: see s 36(1). As to the statutory restriction on the number of trustees see paras 804, 822 ante.

17 *Adam & Co International Trustees Ltd v Theodore Goddard (a firm)* [2000] WTLR 349, 2 ITELR 634.

837. Appointment of trustee where no vacancy. Where, in the case of any trust, there are not more than three trustees:

(1) the person or persons nominated for the purpose of appointing new trustees by the instrument, if any, creating the trust[1]; or

(2) if there is no such person, or no such person able and willing to act, then the trustee or trustees for the time being[2],

may by writing appoint another person or other persons to be an additional trustee or additional trustees[3]; but it is not obligatory to appoint any additional trustee unless the instrument, if any, creating the trust or any statutory enactment provides to the contrary, nor may the number of trustees be increased beyond four by virtue of any such appointment[4]. The appointor may not, however, appoint himself to be an additional trustee[5].

1 Trustee Act 1925 s 36(6)(a) (s 36(6) amended by the Trusts of Land and Appointment of Trustees Act 1996 s 25(1), Sch 3 para 3(11)).
2 Trustee Act 1925 s 36(6)(b) (as amended: see note 1 supra). See also para 848 post.
3 Ibid s 36(6) (as amended: see note 1 supra).
4 Ibid s 36(6) (as amended: see note 1 supra).
5 *Re Power's Settlement Trusts, Power v Power* [1951] Ch 1074, [1951] 2 All ER 513, CA. The appointor may, however, under the Trustee Act 1925 s 36(1) (see para 836 ante) appoint himself a substitutional trustee: *Re Power's Settlement Trusts, Power v Power* supra.

838. Trustee mentally disordered or lacking capacity. Until 1 October 2007[1], where a trustee is incapable by reason of mental disorder[2] of exercising his functions as trustee and is also entitled in possession to some beneficial interest in the trust property, no appointment of a new trustee in his place may be made by the surviving or continuing trustee or the personal representatives of the last surviving or continuing trustee[3] unless leave to make the appointment has been given by the authority having jurisdiction under Part VII of the Mental Health Act 1983[4]. If land subject to a trust of land is vested, solely or jointly, in a trustee who is incapable by reason of mental disorder of exercising his functions as a trustee, he must generally be discharged before the legal estate is dealt with[5], although a discharge is not required if there is an attorney under an enduring power of attorney, whenever created[6], entitled to act for the incapable trustee[7].

As from 1 October 2007[8], where a trustee lacks capacity[9] to exercise his functions as trustee and is also entitled in possession to some beneficial interest in the trust property, no appointment of a new trustee in his place may be made by the surviving or continuing trustees or trustee or the personal representatives of the last surviving or continuing trustee[10] unless leave to make the appointment has been given by the Court of Protection[11]. If land subject to a trust of land is vested, solely or jointly, in a trustee who lacks capacity[12] to exercise his functions as a trustee, he must generally be discharged before the legal estate is dealt with[13], although a discharge is not required if there is an attorney under an enduring power of attorney or lasting power of attorney, whenever created[14], entitled to act for the trustee who lacks capacity in relation to the dealing[15].

1 The Trustee Act 1925 is amended by the Mental Capacity Act 2005 as from 1 October 2007: see the Mental Capacity Act 2005 (Commencement No 2) Order 2007, SI 2007/1897.
2 Ie within the meaning of the Mental Health Act 1983: see MENTAL HEALTH vol 30(2) (Reissue) para 402.
3 Ie under the Trustee Act 1925 s 36(1)(b): see para 836 head (2) ante.
4 Ibid s 36(9) (substituted by the Mental Health Act 1959 s 149(1), Sch 7 Pt I; and amended by the Mental Health Act 1983 s 148(1), Sch 4 para 4(a)). As to the authority having jurisdiction under the Mental Health Act 1983 Pt VII (ss 93–113) (as amended) see MENTAL HEALTH vol 30(2) (Reissue) para 674.
5 See the Law of Property Act 1925 s 22(2) (substituted by the Mental Health Act 1959 s 149(1), Sch 7 Pt I; and amended by the Trusts of Land and Appointment of Trustees Act 1996 s 25(1), Sch 3 para 4(6)). See also MENTAL HEALTH vol 30(2) (Reissue) para 626.
6 See the Trustee Delegation Act 1999 s 9(2).
7 See the Law of Property Act 1925 s 22(3) (added by the Trustee Delegation Act 1999 s 9(1)). See also MENTAL HEALTH vol 30(2) (Reissue) para 626. As to powers of attorney see AGENCY vol 2(1) (Reissue) para 44 et seq.
8 See note 1 supra.
9 Ie within the meaning of the Mental Capacity Act 2005: see s 2(1); para 830 note 7 ante; and MENTAL HEALTH vol 30(2) (Reissue) para 641 et seq.
10 See note 3 supra.
11 Trustee Act 1925 s 36(9) (as substituted and amended (see note 4 supra); and further amended by the Mental Capacity Act 2005 s 67(1), Sch 6 para 3(1), (2)(b)). See note 1 supra. As to the Court of Protection see MENTAL HEALTH vol 30(2) (Reissue) para 750.
12 See note 9 supra.
13 See the Law of Property Act 1925 s 22(2) (as substituted and amended (see note 5 supra); and further amended by the Mental Capacity Act 2005 s 67(1), Sch 6 para 4(1), (2)(b)). See note 1 supra. See also MENTAL HEALTH vol 30(2) (Reissue) para 626.

14 See the Trustee Delegation Act 1999 s 9(2).
15 See the Law of Property Act 1925 s 22(3) (as added (see note 7 supra); and amended by the Mental Capacity Act 2005 s 67(1), Sch 6 para 4(1), (2)(c)). See note 1 supra. See also MENTAL HEALTH vol 30(2) (Reissue) para 626.

839. Power for personal representatives to appoint trustees of minor's legacy. Where a minor is absolutely entitled under a will or on an intestacy to property forming part of the estate of a deceased person and that property is not given through the medium of trustees, the personal representatives of the deceased person (irrespective of the date of his death) have power to appoint trustees for the minor in respect of the property and thereby to discharge themselves from all further liability in respect of it[1].

1 See the Administration of Estates Act 1925 s 42; and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 496. Where this power is exercised, the personal representatives by statutory authority create a trust where no trust previously existed and appoint the original trustees of the trust.

840. Number of trustees. On the appointment of a new trustee for the whole or any part of trust property, the number of trustees may be increased (subject to the statutory restrictions on the number of trustees)[1]. It is not obligatory to appoint more than one new trustee where only one trustee was originally appointed, or to fill up the original number of trustees where more than two trustees were originally appointed; but, except where only one trustee was originally appointed, and a sole trustee when appointed will be able to give valid receipts for all capital money, a trustee is not discharged from his trust unless there will be either a trust corporation[2] or at least two persons to act as trustees to perform the trust[3].

1 Trustee Act 1925 s 37(1)(a). As to the statutory restrictions on the number of trustees see paras 804, 822 ante.
2 As to trust corporations see para 798 et seq ante.
3 Trustee Act 1925 s 37(1)(c) (amended with savings for transactions taking effect on or after 1 January 1997 by the Trusts of Land and Appointment of Trustees Act 1996 s 25(1), Sch 3 para 3(12)). See also *Adam & Co International Trustees Ltd v Theodore Goddard (a firm)* [2000] WTLR 349, 2 ITELR 634 (purported retirement not leaving two persons ineffective). Previously the statute referred to 'individuals' not 'persons': see the Trustee Act 1925 s 37(1) (as originally enacted). 'Individuals' means not only natural persons whereas 'persons' extends to corporations: *Jasmine Trustees Ltd v Wells and Hind* [2007] EWHC 38 (Ch), [2007] 1 All ER 1142 (purported retirement not leaving two individuals meant that the trust remained UK resident for capital tax purposes; trustees de son tort not trustees for this purpose). See also para 822 text and note 16 ante.

841. Separate sets of trustees. On the appointment of a new trustee for the whole or any part of trust property, a separate set of trustees, not exceeding four, may be appointed for any part of the trust property held on trusts distinct from those relating to any other part or parts of the trust property, notwithstanding that no new trustees or trustee are or is to be appointed for other parts of the trust property; and any existing trustee may be appointed or remain one of such separate set of trustees or, if only one trustee was originally appointed, then one separate trustee may be so appointed[1].

1 Trustee Act 1925 s 37(1)(b). The appointment of a sole trustee, not being a trust corporation, will not be effective if the trustee, when appointed, would not be able to give valid receipts for all capital money arising under the trust: see s 37(2); and para 822 ante. As to what are separate trusts see *Roome v Edwards (Inspector of Taxes)* [1982] AC 279, [1981] 1 All ER 736, HL; *Bond v Pickford* [1983] STC 517, CA.

842. Assurances. On the appointment of a new trustee for the whole or any part of trust property, any assurance or thing requisite for vesting the trust property or any part of it in a sole trustee or jointly in the persons who are the trustees must be executed or done[1].

1 Trustee Act 1925 s 37(1)(d). As to the special requirements consequent on an appointment of new trustees for the purposes of the Settled Land Act 1925 see s 35; the Trustee Act 1925 s 35(2); and SETTLEMENTS vol 42 (Reissue) para 759. As to the special requirements on an appointment of new trustees of land and of new trustees of any trust of the proceeds of land see the Trustee Act 1925 s 35(1), (3) (as substituted); the Law of Property Act 1925 s 24 (as substituted); para 834 ante; and SETTLEMENTS vol 42 (Reissue) paras 900–901. As to the vesting of trust property in new trustees see para 865 et seq post. With limited exceptions, it is no longer possible to create new settlements under the Settled Land Act 1925: see the Trusts of Land and Appointment of Trustees Act 1996 s 2; and para 601 note 6 ante. See also para 724 ante.

843. Powers of new trustee. Every new trustee appointed under the statutory provisions relating to the appointment of new or additional trustees[1] as well before as after all the trust property becomes by law or by assurance or otherwise vested in him has the same powers, authorities and discretions, and may in all respects act as if he had been originally appointed a trustee by the instrument, if any, creating the trust[2].

1 Ie under the Trustee Act 1925 s 36 (as amended): see para 835 et seq ante.
2 Ibid s 36(7). The powers conferred by the Trustee Act 1925 are subject to the terms of the trust instrument: see s 69(2); and para 603 ante.

844. Evidence as to vacancy in trusteeship. A statement contained in any instrument coming into operation after 31 December 1925 by which a new trustee is appointed for any purpose connected with land to the effect that a trustee has remained out of the United Kingdom[1] for more than 12 months, or refuses or is unfit to act, or is incapable of acting, or that he is not entitled to a beneficial interest in the trust property in possession, is, in favour of a purchaser of a legal estate, conclusive evidence of the matter stated[2]; and any appointment of a new trustee depending on that statement, and any vesting declaration, express or implied, consequent on the appointment is valid in favour of such a purchaser[3].

1 For the meaning of 'United Kingdom' see para 767 note 17 ante.
2 Trustee Act 1925 s 38(1).
3 Ibid s 38(2).

D. APPOINTMENT OF NEW TRUSTEES UNDER THE TRUSTS OF LAND AND APPOINTMENT OF TRUSTEES ACT 1996

845. Appointment of trustee at the instance of beneficiaries. Where there is no person nominated for the purpose of appointing new trustees by the instrument, if any, creating the trust, and the beneficiaries[1] under the trust are of full age and capacity and, taken together, are absolutely entitled to the property subject to the trust, they may give a written direction[2] to the trustees or trustee for the time being[3] to appoint by writing to be a trustee or trustees the person or person specified in the direction[4]. This may be coupled with a written direction to a trustee or trustees to retire from the trust[5].

1 As to who is a beneficiary see the Trusts of Land and Appointment of Trustees Act 1996 s 22; and para 739 ante.
2 For the purposes of ibid ss 19, 20 (see para 846 post), a direction is given by beneficiaries if a single direction is jointly given by all of them or a direction is given by each of them (whether solely or jointly with one or more, but not all, of the others), and none of them by writing withdraws the direction given by him before it has been complied with: s 21(1). Where more than one direction is given each must specify for appointment the same person or persons: s 21(2). A direction under these provisions must not specify a person or persons for appointment if the appointment of that person or those persons would contravene the provisions of the Trustee Act 1925 s 35(1) (as substituted) or the Law of Property Act 1925 s 24(1) (as substituted) (requirements as to identity of trustees) (see para 834 ante): Trusts of Land and Appointment of Trustees Act 1996 s 21(4).
3 If there are none, the direction may be given to the personal representative of the last person who was a trustee: see ibid s 19(2)(b).

4 Ibid s 19(1), (2)(b). Section 19 has effect subject to the restrictions imposed by the Trustee Act 1925 on the number of trustees (see paras 804, 822 ante): Trusts of Land and Appointment of Trustees Act 1996 s 19(5). Trustees appointed under these provisions have the same powers as a trustee appointed under the Trustee Act 1925 s 36 (as amended): Trusts of Land and Appointment of Trustees Act 1996 s 21(3). As to those powers see the Trustee Act 1925 s 36(7); and para 843 ante.

5 See the Trusts of Land and Appointment of Trustees Act 1996 s 19(2)(a); and para 897 post.

846. Appointment of substitute at the instance of beneficiaries for a trustee mentally disordered or lacking capacity. Until 1 October 2007[1], where: (1) a trustee is incapable by reason of mental disorder of exercising his functions as trustee[2]; (2) there is no person who is both entitled and willing and able to appoint a trustee[3] in his place[4]; and (3) the beneficiaries[5] under the trust are of full age and capacity and, taken together, are absolutely entitled to the property subject to the trust[6], then the beneficiaries may give to a receiver of the trustee, an attorney acting for him[7], or a person authorised by the authority having jurisdiction under Part VII of the Mental Health Act 1983[8], a written direction[9] to appoint by writing the person or persons specified in the direction to be a trustee or trustees in place of the incapable trustee[10].

As from 1 October 2007[11], where: (a) a trustee lacks capacity[12] to exercise his functions as trustee[13]; (b) there is no person who is both entitled and willing and able to appoint a trustee[14] in his place[15]; and (c) the beneficiaries[16] under the trust are of full age and capacity and, taken together, are absolutely entitled to the property subject to the trust[17], then the beneficiaries may give to a deputy appointed for the trustee by the Court of Protection[18], an attorney acting for him[19], or a person authorised for the purpose by the Court of Protection, a written direction[20] to appoint by writing the person or persons specified in the direction to be a trustee or trustees in place of the incapable trustee[21].

1 The Trusts of Land and Appointment of Trustees Act 1996 is amended by the Mental Capacity Act 2005 as from 1 October 2007: see the Mental Capacity Act 2005 (Commencement No 2) Order 2007, SI 2007/1897.

2 Trusts of Land and Appointment of Trustees Act 1996 s 20(1)(a).

3 Ie under the Trustee Act 1925 s 36(1): see para 836 ante.

4 Trusts of Land and Appointment of Trustee Act 1996 s 20(1)(b).

5 As to who is a beneficiary see ibid s 22; and para 739 ante.

6 Ibid s 20(1)(c).

7 Ie an attorney acting under the authority of a power of attorney created by an instrument which is registered under the Enduring Powers of Attorney Act 1985 s 6 (repealed as from 1 October 2007): see AGENCY vol 2(1) (Reissue) para 44.

8 Ie the Mental Health Act 1983 Pt VII (ss 93–113) (as amended; repealed as from 1 October 2007): see MENTAL HEALTH vol 30(2) (Reissue) para 674.

9 See para 845 note 2 ante.

10 Trusts of Land and Appointment of Trustees Act 1996 s 20(2). Trustees appointed under these provisions have the same powers as a trustee appointed under the Trustee Act 1925 s 36 (as amended): Trusts of Land and Appointment of Trustees Act 1996 s 21(3). As to those powers see the Trustee Act 1925 s 36(7); and para 843 ante.

11 See note 1 supra.

12 Ie within the meaning of the Mental Capacity Act 2005: see para 830 note 1 ante.

13 Trusts of Land and Appointment of Trustees Act 1996 s 20(1)(a) (amended by the Mental Capacity Act 2005 s 67(1), Sch 6 para 42(1), (3)(a)).

14 See note 3 supra.

15 Trusts of Land and Appointment of Trustee Act 1996 s 20(1)(b).

16 As to who is a beneficiary see ibid s 22; and para 739 ante.

17 Ibid s 20(1)(c).

18 As to the Court of Protection see MENTAL HEALTH vol 30(2) (Reissue) para 750.

19 Ie an attorney acting under the authority of an enduring power of attorney or lasting power of attorney registered under the Mental Capacity Act 2005 (see AGENCY vol 2(1) (Reissue) para 44).

20 See para 845 note 2 ante.

21 Trusts of Land and Appointment of Trustees Act 1996 s 20(2) (amended by the Mental Capacity Act 2005 Sch 6 para 42(1), (3)(b)). Trustees appointed under these provisions have the same powers as a trustee

appointed under the Trustee Act 1925 s 36 (as amended): Trusts of Land and Appointment of Trustees Act 1996 s 21(3). As to those powers see the Trustee Act 1925 s 36(7); and para 843 ante.

847. Trusts in relation to which beneficiaries cannot make a direction. The beneficiaries' powers to direct the appointment of trustees[1] do not apply in relation to a trust created by a disposition in so far as provision that they do not apply is made by the disposition[2]; nor do they apply in relation to a trust created before 1 January 1997[3] by a disposition in so far as provision to the effect that they do not apply is made by a deed executed[4], in a case in which the trust was created by one person and he is of full capacity, by that person[5] or, in a case in which the trust was created by more than one person, by such of the persons who created the trust as are alive and of full capacity[6].

1 Ie under the Trusts of Land and Appointment of Trustees Act 1996 ss 19, 20 (s 20 prospectively amended) (see para 845 et seq ante).
2 Ibid s 21(5).
3 Ie the date of commencement of the Trusts of Land and Appointment of Trustees Act 1996.
4 A deed executed for the purposes of ibid s 21(6) is irrevocable: s 21(7). Such a deed does not affect anything done before its execution to comply with a direction under s 19 or s 20 (prospectively amended), but such a direction which has been given but not complied with before execution of the deed ceases to have effect: s 21(8).
5 Ibid s 21(6)(a).
6 Ibid s 21(6)(b).

E. APPOINTMENT BY DONEE OF A POWER OF ATTORNEY

848. Appointment of additional trustee. The donee of an enduring power of attorney[1] created after 1 March 2000[2] has been given a new but limited power to appoint new trustees. These provisions, which will apply equally to the donee of a lasting power of attorney created under the Mental Capacity Act 2005[3], were designed to prevent the 'two trustee rules'[4] from frustrating the new power for an attorney to exercise the trustee functions of the donor[5]. An attorney[6] under a registered power for one or more trustees may[7] appoint an additional trustee[8] on behalf of the trustee or trustees[9].

1 See the Enduring Powers of Attorney Act 1985; and AGENCY vol 2(1) (Reissue) para 44 et seq. As from 1 October 2007 the Enduring Powers of Attorney Act 1985 is repealed by the Mental Capacity Act 2005 ss 66(1)(b), (2), 67(2), Sch 7 (see the Mental Capacity Act 2005 (Commencement No 2) Order 2007, SI 2006/1897) and therefore no enduring power of attorney is to be created after that date. However, enduring powers of attorney created before that date remain effective under the provisions of the Mental Capacity Act 2005 s 66(3), Sch 4, which has effect in place of the Enduring Powers of Attorney Act 1985: see MENTAL HEALTH vol 30(2) (Reissue) para 647 et seq. As to powers of attorney see AGENCY vol 2(1) (Reissue) para 44 et seq.
2 See the Trustee Delegation Act 1999 s 8(2); and the Trustee Delegation Act 1999 (Commencement) Order 2000, SI 2000/216. The date referred to in the text is the date of commencement of the Trustee Delegation Act 1999.
3 See note 6 infra. As to lasting powers of attorney see the Mental Capacity Act 2005 s 9; and AGENCY.
4 See para 822 ante.
5 See the Trustee Delegation Act 1999 s 1; and para 985 post.
6 Ie a person who is either: (1) both a trustee and attorney for the other trustee (if one other) or for both of the other trustees (if two others), under a registered power; or (2) attorney under a registered power for the trustee (if one) or for both or each of the trustees (if two or three): see the Trustee Act 1925 s 36(6A) (added by the Trustee Delegation Act 1999 s 8). Until 1 October 2007, for these purposes, 'registered power' means a power of attorney created by an instrument which is for the time being registered under the Enduring Powers of Attorney Act 1985 s 6 (see AGENCY): Trustee Act 1925 s 36(6C) (added by the Trustee Delegation Act 1999 s 8). However, as from 1 October 2007, 'registered power' means an enduring power of attorney or lasting power of attorney registered under the Mental Capacity Act 2005: Trustee Act 1925 s 36(6C) (as so added; amended by the Mental Capacity Act 2005 s 67(1), Sch 6 para 3(1), (2)(a)).

7 Ie if he intends as attorney under the power to exercise any function of the trustee or trustees by virtue of the Trustee Delegation Act 1999 s 1(1) (see para 985 post) or any function of the trustee or trustees in relation to any land, capital proceeds of a conveyance of land or income from land by virtue of its delegation to him under the Trustee Act 1925 s 25 (see para 984 post) or the instrument (if any) creating the trust: see s 36(6B) (added by the Trustee Delegation Act 1999 s 8).

8 Ie under the Trustee Act 1925 s 36(6)(b) (as amended): see para 837 ante.

9 Ibid s 36(6A) (as added: see note 6 supra). This provision applies only if and so far as a contrary intention is not expressed in the instrument creating the power of attorney (or, where there are more than one, any of them) or the instrument (if any) creating the trust, and has effect subject to the terms of those instruments: s 36(6D) (added by the Trustee Delegation Act 1999 s 8).

F. APPOINTMENT OF NEW TRUSTEES BY THE COURT

(A) In general

849. Power of the court to appoint. The court[1] may, whenever it is expedient to appoint a new trustee or new trustees[2] and it is found inexpedient, difficult or impracticable to do so without the assistance of the court[3], make an order for the appointment of a new trustee or new trustees either (1) in substitution for or in addition to any existing trustee or trustees; or (2) although there is no existing trustee[4].

1 For the meaning of 'the court' see para 632 note 3 ante. As to jurisdiction and procedure see para 632 et seq ante.

2 In particular the court may appoint a new trustee in substitution for a trustee who is suffering from a mental disorder or who lacks capacity to exercise his functions as trustee, or a bankrupt, or a corporation which is in liquidation or has been dissolved: see para 856 post. See further para 851 post.

3 Where a sole or continuing trustee is desirous of exercising his statutory power of appointment, an application to the court, although made by a majority of the beneficiaries, and although the trustee has no beneficial interest under the trust, will normally be refused: *Re Higginbottom* [1892] 3 Ch 132. See, however, *Re Kensit* [1908] WN 235 (where an order was made for the appointment of the Public Trustee (see para 766 et seq ante), although the continuing trustee was willing to exercise his powers of appointment by appointing a private trustee to act with him); *Re Rendell's Trusts* (1915) 139 LT Jo 249 (where a new trustee was appointed, although the appointment was opposed by one of the surviving trustees). Generally, the court will not appoint a new trustee where the appointment can be made under a power in the instrument of trust or under the statutory power: *Re Soulby's Trusts* (1873) 21 WR 256; *Re Gibbon's Trusts* (1882) 45 LT 756; *Re Sutton* [1885] WN 122. See, however, *Re Jackson's Trusts* (1868) 16 WR 572; *Re Shafto's Trusts* (1885) 29 ChD 247. In *Re May's Will Trusts, May and Stanford v Burch* [1941] Ch 109, the court appointed a new trustee in place of one in enemy occupied territory. See also *Mohammed v Khan* [2005] EWHC 599 (Ch), [2005] All ER (D) 41 (Feb), where the court was willing to appoint trustees in the place of an interim body of management trustees where serious dispute caused one trustee to refuse to recognise the existence of another.

4 Trustee Act 1925 s 41(1). A new trustee may be appointed under the Trustee Act 1925 notwithstanding that the trustees have no trust property vested in them: *Re Boyce, Re Blackwood's Trusts* (1864) 4 De GJ & Sm 205 at 208–209 per Lord Westbury LC. Where there is no dispute of fact, the court has jurisdiction to displace a trustee against his will and appoint a new trustee in substitution for him: *Re Henderson, Henderson v Henderson* [1940] Ch 764, [1940] 3 All ER 295; *Re A Solicitor* [1952] Ch 328, [1952] 1 All ER 133. The court will not generally replace a trustee against his will unless he has failed to discharge his duties as trustee: see *Baker v Selby Town Council* [2000] All ER (D) 1521. The fact that a trustee has security for costs may be a reason for delaying the appointment of new trustees until the question of costs has been settled: *Re Pauling's Settlement Trusts (No 2), Younghusband v Coutts & Co* [1963] Ch 576, [1963] 1 All ER 857. All the powers and provisions contained in the Trustee Act 1925 with reference to the appointment of new trustees apply to and include trustees for the purposes of the Settled Land Act 1925 and trustees for the purpose of the management of land during a minority, whether appointed by the court or by the settlement or under provisions contained in any instrument: Trustee Act 1925 s 64(1). As to trustees for the management of land during a minority see the Settled Land Act 1925 s 102 (as amended); and SETTLEMENTS vol 42 (Reissue) para 665. With limited exceptions, it is no longer possible to create new settlements under the Settled Land Act 1925: see the Trusts of Land and Appointment of Trustees Act 1996 s 2; and para 601 note 6 ante. See also para 724 ante. The Trustee Act 1925 applies to charities: see *Re Coates to Parsons* (1886) 34 ChD 370 (decided under the corresponding provision of the Conveyancing Act 1881 s 31 (repealed)); and CHARITIES. For the

meaning of 'instrument' see para 817 note 5 ante; for the meaning of 'land' see para 605 note 5 ante; and for the meaning of 'settlement' see para 804 note 1 ante.

850. Number of trustees appointed. In appointing new trustees, the court does not confine itself to the original number[1] or insist on filling up the original number[2], but it does not appoint a sole trustee where originally there were more than one[3]. If there are two or more continuing trustees, the court has in some cases authorised the continuing trustees to carry on the trust without appointing a new trustee to act with them[4].

1 *Re Welch* (1838) 3 My & Cr 292; *Birch v Cropper* (1848) 2 De G & Sm 255; *Re Tunstall's Will, ex p Tunstall* (1851) 4 De G & Sm 421; *Plenty v West* (1853) 16 Beav 356; *Re Boyce, Re Blackwood's Trusts* (1864) 4 De GJ & Sm 205. See generally para 840 ante.

2 *Bulkeley v Earl of Eglinton* (1855) 1 Jur NS 994; *Re Marriott's Settlement* (1868) 18 LT 749; *Re Fowler's Trusts* (1886) 55 LT 546. A sole trustee can act alone in all matters involving no receipt of capital money: *Re Myhill, Hull v Myhill* [1928] Ch 100.

3 *Re Dickinson's Trusts* (1855) 1 Jur NS 724; *Re Ellison's Trust* (1856) 2 Jur NS 62. The court will never vest a minor's trust fund in a sole trustee (see *Re Dickinson's Trusts* supra), but a sole new trustee has been appointed where there was only one trustee originally and the trust would shortly come to an end (see *Re Reynault* (1852) 16 Jur 233). It appears that, as far as jurisdiction is concerned, the court may now appoint two trustees, or even a sole trustee, notwithstanding a direction in the trust instrument that the number should never be reduced below three: *Re Leslie's Hassop Estates* [1911] 1 Ch 611. Where, however, any enactment requires a minimum of two trustees or a trust corporation (see paras 804, 822 ante), the court will not, it is assumed, appoint less than two trustees except where it appoints a trust corporation.

4 *Re Leon* [1892] 1 Ch 348, CA; *Re Price* [1894] WN 169; *Dugmore v Suffield* [1896] WN 50; *Re Lees' Settlement Trusts* [1896] 2 Ch 508; *Re Fitzherbert's Settlement Trusts* [1898] WN 58. Under former statutes the court would not generally sanction in this way a reduced number of trustees in the case of a continuing trust (*Re Lamb's Trusts* (1884) 28 ChD 77; *Re Gardiner's Trusts* (1886) 33 ChD 590), but only when distribution of the trust fund was imminent or there were other special circumstances (*Re Watson* (1881) 19 ChD 384; *Re Martyn, Re Toutt's Will* (1884) 26 ChD 745; *Davies v Hodgson* (1886) 32 ChD 225).

851. Appointment where trustee is mentally disordered or lacks capacity. Until 1 October 2007[1], the court may appoint a new trustee in substitution for a trustee incapable by reason of mental disorder[2]; but in certain instances the authority having jurisdiction under Part VII of the Mental Health Act 1983[3] has concurrent jurisdiction with the High Court to appoint the new trustee[4].

As from 1 October 2007[5], the court may appoint a new trustee in substitution for a trustee who lacks capacity to exercise his functions as trustee[6]; but in certain instances the Court of Protection[7] has concurrent jurisdiction with the High Court to appoint the new trustee[8].

1 The Trustee Act 1925 is amended by the Mental Capacity Act 2005 as from 1 October 2007: see the Mental Capacity Act 2005 (Commencement No 2) Order 2007, SI 2006/1897.

2 As to the appointment of a new trustee in such circumstances see para 849 ante.

3 Ie the Mental Health Act 1983 Pt VII (ss 93–113) (as amended): see MENTAL HEALTH vol 30(2) (Reissue) para 671 et seq.

4 See the Trustee Act 1925 s 54 (as substituted and amended); and MENTAL HEALTH vol 30(2) (Reissue) para 721 et seq.

5 See note 1 supra.

6 As to the appointment of a new trustee in such circumstances see para 849 ante.

7 As to the Court of Protection see MENTAL HEALTH vol 30(2) (Reissue) para 750.

8 See the Trustee Act 1925 s 54 (as substituted and amended); note 1 supra; and MENTAL HEALTH vol 30(2) (Reissue) para 721 et seq.

852. Persons who may apply and service of applications. An order for the appointment of a new trustee may be made on the application[1] of any person beneficially interested under the trust, whether under disability or not, or of any person

duly appointed trustee[2]. Where all the parties interested do not join in the application, it is usual to serve the application upon the other persons who are interested in the trust either as trustees or beneficiaries[3].

1 As to courts and procedure generally see para 632 et seq ante.
2 Trustee Act 1925 s 58(1). Cf *Re Price* [1894] WN 169. The application may be made by a person who has a contingent interest in the trust property: *Re Sheppard's Trusts* (1862) 4 De GF & J 423. The president and secretary of the Wesleyan Conference were held capable of applying for the appointment of new trustees of a Wesleyan chapel: *Re Harden Wesleyan Chapel* (1853) 1 WR 212.
3 *Re Lonsdale's Trust* (1850) 14 Jur 1101; *Thomas' Trust* (1851) 15 Jur 187; *Re Maynard's Settlement Trusts* (1852) 16 Jur 1084; *Re Richard's Trust* (1852) 5 De G & Sm 636; *Re Sloper* (1854) 18 Beav 596; *Re Fellows' Settlement* (1856) 2 Jur NS 62; *Re Blanchard* (1861) 3 De GF & J 131 at 137 per Turner LJ. The court may, however, dispense with this service where good reason is shown for so doing: *Re Smyth's Settlement* (1851) 2 De G & Sm 781; *Re Richard's Trust* supra at 637 per Parker V-C; *Re Blanchard* supra at 137; *Re Lightbody's Trusts* (1884) 33 WR 452; *Re Wilson* (1886) 31 ChD 522, CA. The application need not be served on a trustee who has absconded (*Re Harrison's Trusts* (1852) 22 LJ Ch 69; *Hyde v Benbow* [1884] WN 117), or who is permanently resident abroad (*Re Stewart* (1860) 8 WR 297; *Re Bignold's Settlement Trusts* (1872) 7 Ch App 223; *Re Pye's Trusts* (1880) 42 LT 247).

853. Costs of application for order. The court may order the costs and expenses of and incident to an application for an order appointing a new trustee to be raised and paid out of the property in respect of which the order is made or out of the income of such property, or to be borne and paid in such manner and by such persons as to the court may seem just[1].

1 Trustee Act 1925 s 60. As to the entitlement of trustees to their costs out of the trust fund see CPR 48.4; and para 906 et seq post. See further *Re Fellows' Settlement* (1856) 2 Jur NS 62; *Re Parby's Marriage Settlement Trusts* (1857) 29 LTOS 72; *Re Primrose* (1857) 23 Beav 590; *Turner v Mullineux* (1861) 9 WR 252; *Re Grant's Trusts* (1862) 2 John & H 764 (costs apportioned rateably between two funds); *Re Wills* (1863) 12 WR 97; *Re Crabtree* (1866) 14 WR 497; *Re Brackenbury's Trusts* (1870) LR 10 Eq 45; *Re Wiseman's Trusts* (1870) 18 WR 574; *Re Pring's Trusts* (1873) 28 LT 467; *Re Spettigue's Trusts* (1884) 32 WR 385; *Re Knight's Will* (1884) 26 ChD 82, CA; *Re Rendell's Trusts* (1915) 139 LT Jo 249 (trustee not ordered to pay any costs; refusal to assent to the appointment of trustees held to be unreasonable).

854. Powers of trustee appointed by the court. Every trustee appointed by a court of competent jurisdiction has, as well before as after the trust property becomes by law or by assurance or otherwise vested in him, the same powers, authorities and discretions, and may in all respects act, as if he had been originally appointed a trustee by the instrument, if any, creating the trust[1].

An order appointing a new trustee or new trustees[2], and any consequential vesting order[3] or conveyance, does not operate as a discharge to any former or continuing trustee further or otherwise than an appointment of new trustees under any power for that purpose contained in an instrument of trust would have operated[4].

1 Trustee Act 1925 s 43; and see *Re Smith, Eastick v Smith* [1904] 1 Ch 139 at 144 per Farwell J. The powers conferred by the Trustee Act 1925 are subject to the terms of the trust instrument: see s 69(2); and para 603 ante.
2 Ie an order under ibid s 41 (as amended): see para 849 ante.
3 As to vesting orders see para 869 et seq post.
4 Trustee Act 1925 s 41(3).

(B) Cases in which Appointment may be made

855. Where there is no trustee. Where the will creating the trust contains no power to appoint new trustees and no trustee named in the will is alive when the will comes into operation, an application to the court to appoint new trustees is necessary since there is no one who is enabled under the statutory power of appointment[1] to make the appointment[2].

1 See the Trustee Act 1925 s 36 (as amended); and para 835 et seq ante.
2 *Re Orde* (1883) 24 ChD 271, CA; *Re Lightbody's Trusts* (1884) 33 WR 452; *Re Ambler's Trusts* (1888) 59 LT 210; *Nicholson v Field* [1893] 2 Ch 511.

856. Where trustee is mentally disordered or lacks capacity. Until 1 October 2007[1], the court may, without prejudice to the generality of its power to appoint new trustees[2], make an order for the appointment of a new trustee in substitution for a trustee who is incapable of exercising his functions as a trustee by reason of mental disorder[3] or is a bankrupt or is a corporation which is in liquidation or has been dissolved[4].

As from 1 October 2007[5], there is a similar power in relation to a trustee who lacks capacity to exercise his functions as trustee[6].

1 The Trustee Act 1925 is amended by the Mental Capacity Act 2005 as from 1 October 2007: see the Mental Capacity Act 2005 (Commencement No 2) Order 2007, SI 2006/1897.
2 As to the appointment of trustees by the court see para 849 et seq ante.
3 Ie within the meaning of the Mental Health Act 1983 (definition prospectively repealed): see MENTAL HEALTH vol 30(2) (Reissue) para 402. As to an appointment to replace a mentally disordered trustee see further para 851 ante.
4 Trustee Act 1925 s 41(1) (amended by the Criminal Law Act 1967 s 10, Sch 3 Pt III; and the Mental Health Act 1959 s 149(1), Sch 7 Pt I).
5 See note 1 supra.
6 See the Trustee Act 1925 s 41(1) (as amended (see note 4 supra); and further amended by the Mental Capacity Act 2005 s 67(1), Sch 6 para 3(1), (3)). See note 1 supra. As to an appointment in substitution for a trustee lacking capacity see further para 851 ante.

857. Inability of court to appoint person to be executor or administrator. The statutory provisions conferring power on the court to appoint new trustees[1] do not give power to appoint an executor or administrator[2]. Where, however, an application relating to the estate of a deceased person is made to the High Court by or on behalf of a personal representative of the deceased or a beneficiary[3] of the estate, the court may in its discretion:

(1) appoint a person (a 'substituted personal representative') to act as personal representative of the deceased in place of the existing personal representative or representatives of the deceased or any of them[4]; or
(2) if there are two or more existing personal representatives of the deceased, terminate the appointment of one or more, but not all, of those persons[5].

Where the court appoints a person to act as a substituted personal representative of a deceased person:

(a) if that person is appointed to act with an executor or executors, the appointment, except for the purpose of including him in any chain of representation, constitutes him executor of the deceased as from the date of the appointment[6]; and
(b) in any other case the appointment constitutes that person administrator of the deceased's estate as from the date of the appointment[7].

The court may authorise a person appointed as a substituted personal representative to charge remuneration for his services as such, on such terms, whether or not involving the submission of bills of charges for taxation by the court, as the court may think fit[8].

Where an application relating to the estate of a deceased person is so made to the court, the court may, if it thinks fit, proceed as if the application were, or included, an application for the appointment of a judicial trustee[9] in relation to that estate[10].

1 Ie the Trustee Act 1925 s 41 (as amended): see para 849 et seq ante.
2 Ibid s 41(4). See also *Re Willey* [1890] WN 1, CA; *Eaton v Daines* [1894] WN 32. Where, however, an executor or administrator has cleared the estate and has assented to a settled legacy, the court can appoint new trustees to act jointly with him or in his place: *Re Ponder, Ponder v Ponder* [1921] 2 Ch 59. Cf *Pollock*

v Ennis [1921] 1 IR 181. So, too, where an administrator has cleared the estate and holds property in trust for the persons entitled on intestacy, the court can appoint new trustees in his place: *Re Yerburgh, Yerburgh v Yerburgh* [1928] WN 208. Cf *Re Pitt, Pitt v Mann* (1928) 44 TLR 371 (where an administratix with the will annexed cleared the estate and appointed new trustees, and the appointment was held to be valid); *Re Cockburn's Will Trusts, Cockburn v Lewis* [1957] Ch 438, [1957] 2 All ER 522 (where the administrator with the will annexed who had cleared the estate had power to appoint new trustees). However, the legal estate in any land remains outstanding in the administrator or executor until he executes a written assent in favour of the new trustees: *Re King's Will Trusts, Assheton v Boyne* [1964] Ch 542, [1964] 1 All ER 833 (not followed in the Irish case *Mohan v Roche* [1991] 1 IR 560). See para 866 note 1 post; and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 564. Trustees so appointed out of court can exercise any powers conferred by the testator by his will on his trustees: see *Re Cockburn's Will Trusts, Cockburn v Lewis* supra.

3 For these purposes, 'beneficiary', in relation to the estate of a deceased person, means a person who under the will of the deceased or under the law relating to intestacy is beneficially interested in the estate: Administration of Justice Act 1985 s 50(5).

4 Ibid s 50(1)(a).

5 Ibid s 50(1)(b). See also the Supreme Court Act 1981 s 114(4); the Administration of Estates Act 1925 s 23(2); and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 236. As from a day to be appointed, the Supreme Court Act 1981 is renamed the Senior Courts Act 1981 by the Constitutional Reform Act 2005 s 59(5), Sch 11 para 1(1) (not yet in force): see para 632 note 1 ante; and COURTS. At the date at which this volume states the law no such day had been appointed.

6 Administration of Justice Act 1985 s 50(2)(a).

7 Ibid s 50(2)(b).

8 Ibid s 50(3).

9 Ie under the Judicial Trustees Act 1896: see para 757 et seq ante.

10 Administration of Justice Act 1985 s 50(4).

858. Appointment as to part of trust. When it is expedient to do so, the court allows trustees to retire from a part of the trust and appoints new trustees of that part without appointing a new trustee of the residue[1].

1 *Re Cotterill's Trusts* [1869] WN 183; *Re Cunard's Trusts* (1878) 48 LJ Ch 192; *Re Hetherington's Trusts* (1886) 34 ChD 211; *Re Moss's Trusts* (1888) 37 ChD 513; *Re Aston's Trusts* (1890) 25 LR Ir 96. See the Trustee Act 1925 s 37 (as amended); and para 840 ante. It is not clear, however, whether s 37 (as amended) applies to an appointment by the court, although it seems to have been assumed that the original provision in the Conveyancing Act 1882 s 5 (repealed) did so apply: see *Re Paine's Trusts* (1885) 28 ChD 725; *Re Hetherington's Trusts* supra; but see *Re Moss's Trusts* supra.

859. Additional trustee. The court may appoint an additional new trustee when there is no vacancy in the number of trustees[1]; but, where there is a statutory restriction as to the maximum number of trustees[2], the court will not exceed that maximum. There is, however, no absolute right in beneficiaries to require the court to appoint an additional trustee where the settlor or testator has thought fit to appoint a sole trustee and that trustee continues to act[3], unless the sole trustee, if left by himself, would be unable to give a good receipt for capital money[4].

1 See the Trustee Act 1925 s 41 (as amended); and para 849 et seq ante. In a proper case the costs of the appointment have been thrown on the corpus of the trust property (*Grant v Grant* (1865) 34 Beav 623); but, where the additional trustee was applied for by one beneficiary and opposed by another, the costs were ordered to be paid by the applicant (*Re Brackenbury's Trusts* (1870) LR 10 Eq 45).

2 As to such limitation on the number of trustees see paras 804, 822 ante.

3 *Re Badger, Badger v Woolley* (1915) 84 LJ Ch 567.

4 See para 822 ante.

(C) Who may be appointed New Trustee

860. Principles on which appointment made. In all cases of appointment by the court of a new trustee the court has regard to the wishes of the creator of the trust if expressed in or to be inferred from the instrument creating the trust[1] and to the

question whether the appointment will promote or impede the execution of the trust[2], and will not appoint a trustee with a view to the interests of some of the beneficiaries in opposition to those of others[3].

1 *Re Tempest* (1866) 1 Ch App 485 at 487 per Turner LJ. The court will not appoint a person or the nominee of a person whom the creator of the trust has evidently intended to exclude from all interest in or connection with the trust property: see *Re Tempest* supra at 487–488 (where the proposed appointee was nominated by a relative of the testator with whom the testator was on bad terms). Cf *Re Badger, Badger v Woolley* (1915) 84 LJ Ch 567 (where a sole trustee was originally appointed).
2 *Re Tempest* (1866) 1 Ch App 485 at 488. See also *Mohammed v Khan* [2005] EWHC 599 (Ch), [2005] All ER (D) 41 (Feb) (the court appointed trustees in the place of an interim body of management trustees, the trustees to be nominated by the parties to the action who were themselves barred from being nominees for a period of two years because disputes between them were impeding the execution of the trust).
3 *Re Tempest* (1866) 1 Ch App 485 at 487.

861. Beneficiary. A beneficiary or the spouse of a beneficiary under the trust will not be appointed a trustee by the court[1] except where a suitable independent person cannot be found to undertake the office[2] or there are other special circumstances[3]. In that case an undertaking has been required from the person appointed that, if he becomes sole trustee, he will use every endeavour to obtain the appointment of a co-trustee[4].

1 *Ex p Clutton* (1853) 17 Jur 988 at 989 per Wood V-C; *Ex p Conybeare's Settlement* (1853) 1 WR 458 per Turner LJ. See also *Re Hattatt's Trusts* (1870) 18 WR 416; *Forster v Abraham* (1874) LR 17 Eq 351; *Re Parrott* (1881) 30 WR 97; *Re Coode, Coode v Forster* (1913) 108 LT 94.
2 *Ex p Clutton* (1853) 17 Jur 988; *Re Clissold's Settlement* (1864) 10 LT 642; *Re Burgess' Trusts* [1877] WN 87; *Re Parrott* (1881) 30 WR 97; *Re Lightbody's Trusts* (1884) 33 WR 452.
3 *Ex p Conybeare's Settlement* (1853) 1 WR 458; *Re Curtis's Trust and Trustee Acts 1850, 1852* (1871) IR 5 Eq 429.
4 *Re Hattatt's Trusts* (1870) 18 WR 416; *Re Burgess' Trusts* [1877] WN 87; *Re Lightbody's Trusts* (1884) 33 WR 452.

862. Solicitor. As a rule the court does not appoint as a new trustee the solicitor to the beneficiary for life under the trust[1] or the solicitor to the existing trustee[2].

1 *Re Kemp's Settled Estates* (1883) 24 ChD 485, CA; *Re Earl of Stamford, Payne v Stamford* [1896] 1 Ch 288 at 298 et seq per Stirling J; *Re Spencer's Settled Estates* [1903] 1 Ch 75. See also *Re Orde* (1883) 24 ChD 271, CA; and paras 831–834 ante. The appointment will, however, nevertheless be made if a contrary course would be inconvenient: *Re Brentnall's Trusts* [1872] WN 77; *Re Marquis of Ailesbury and Lord Iveagh* [1893] 2 Ch 345 at 359–360 per Stirling J (where it was convenient to appoint, as new trustees, the persons who were trustees of another settlement relating to the trust property and of whom the solicitor was one); *Re Spencer's Settled Estates* supra at 82 per Byrne J.
2 *Re Norris, Allen v Norris* (1884) 27 ChD 333 at 340 per Pearson J.

863. Alien or person out of jurisdiction. An alien or person residing out of the jurisdiction is not appointed as a new trustee[1] unless special circumstances, such as the residence of the beneficiaries out of the jurisdiction, render his appointment expedient[2]. When the court is invited to exercise an original discretion of its own, the applicants must make out a positive case for the court to exercise its discretion as they request[3].

1 *Re Guibert's Trust Estate* (1852) 16 Jur 852; *Re Drewe's Settlement Trusts* [1876] WN 168 per Malins V-C.
2 *Re Hill's Trusts* [1874] WN 228; *Re Drewe's Settlement Trusts* [1876] WN 168; *Re Austen's Settlement* (1878) 38 LT 601; *Re Cunard's Trusts* (1878) 48 LJ Ch 192; *Re Liddiard* (1880) 14 ChD 310 (as to which see *Re Seale's Marriage Settlement* [1961] Ch 574 at 580, [1961] 3 All ER 136 at 140); *Re Freeman's Settlement Trusts* (1887) 37 ChD 148; *Re Windeatt's Will Trusts* [1969] 2 All ER 324, [1969] 1 WLR 692; *Re Weston's Settlements, Weston v Weston* [1969] 1 Ch 223, [1968] 3 All ER 338, CA; *Re Whitehead's Will Trusts, Burke v Burke* [1971] 2 All ER 1334, [1971] 1 WLR 833.
3 *Richards v Mackay* (1987) 11 Tru LI 23; *Re Beatty's Will Trusts (No 2)* (1987) 11 Tru LI 77. As to approval by the court of a proposed appointment by the trustees see para 833 ante.

864. Corporation. A corporation could always be appointed an original trustee but, as a corporation could not formerly be a joint tenant with a natural person, it was not practicable to appoint a corporation to act with other trustees. A corporation is now empowered by statute to hold property as joint tenant and may consequently be a trustee jointly with others[1]. The court therefore has power to appoint a corporation to act as trustee either alone or jointly with others[2].

1 See the Bodies Corporate (Joint Tenancy) Act 1899 s 1; and para 609 note 5 ante.
2 Ie in exercise of the power conferred by the Trustee Act 1925 s 41(1) (as amended) to appoint 'a new trustee or new trustees': see paras 833, 849 ante. Cf *Re Thompson's Settlement Trusts, Thompson v Alexander* [1905] 1 Ch 229. The view expressed by North J in *Re Brogden, Billing v Brogden* [1888] WN 238, that he had no power to appoint a corporation as trustee, cannot be supported. It is now common practice for a bank to be appointed trustee, and it is no objection to the appointment of a bank as trustee that one or more of the beneficiaries happen to be its customers: *Re Northcliffe's Settlements* [1937] 3 All ER 804, CA. As to trust corporations see para 798 et seq ante.

(iii) Vesting Trust Property in New Trustees

865. Necessity for vesting. On an appointment of new trustees the trust property ought to be vested in all the persons who, after the appointment, are the trustees[1]. The transfer by which this is effected, although it is often made previously to or by the same instrument as the appointment, ought, in strictness, to be made only after the appointment has been completed[2]. The court may make a vesting order as to trust property if it is necessary or expedient to do so[3].

1 *Noble v Meymott* (1851) 14 Beav 471 at 478 per Romilly MR.
2 *Noble v Meymott* (1851) 14 Beav 471 at 478 per Romilly MR. A refusal to transfer trust funds to new trustees is not justified by the fact that no transfer has been made to them of other trust funds which ought to have been so transferred: *Noble v Meymott* supra at 479.
3 As to vesting orders see para 869 et seq post.

866. Vesting of property by vesting declaration. Where a deed by which a new trustee is appointed to perform a trust contains a declaration by the appointor to the effect that any estate or interest in any land[1] or chattel subject to the trust, or right to recover or receive any debt or other thing in action subject to the trust, is to vest in the persons who by virtue of the deed become or are the trustees for performing the trust, then without any conveyance or assignment the deed operates to vest in those persons as joint tenants, and for the purposes of the trust, the estate, interest or right to which the declaration relates[2]. A deed of appointment made after 31 December 1925 which does not contain such a declaration operates, subject to any express provision to the contrary contained in it, as if it had contained such a declaration by the appointor extending to all the estates, interests and rights with respect to which a declaration could have been made[3].

Similarly, where by a deed a retiring trustee is discharged under the provisions contained in the Trustee Act 1925[4] or the Trusts of Land and Appointment of Trustees Act 1996[5] without a new trustee being appointed, then, if the deed contains a like declaration by the retiring and continuing trustees, and by the other person, if any, empowered to appoint trustees, the deed, without any conveyance or assignment, operates to vest in the continuing trustees alone, as joint tenants, and for the purposes of the trust, the estate, interest or right to which the declaration relates[6]. Such a deed, if it is made after 31 December 1925 and does not contain such a declaration, operates, subject to any express provision to the contrary contained in it, as if it had contained such a declaration made by the appropriate persons extending to all the estates, interests and rights with respect to which a declaration could have been made[7]. Even though the estate, interest or right to be vested by the express vesting declaration, whenever made,

is not expressly referred to, the declaration, if the other statutory requirements are complied with, operates and is deemed always to have operated to vest in the appropriate persons[8] such estates, interests and rights as are capable of being and ought to be vested in those persons[9].

1 In *Re King's Will Trusts, Assheton v Boyne* [1964] Ch 542, [1964] 1 All ER 833, Pennycuick J held that these provisions do not apply to land held by personal representatives, even though they have completed administration of the deceased's property, if they have not expressly assented in writing to the vesting of the legal estate in themselves in their new capacity as trustees. This decision was not followed in the Irish case *Mohan v Roche* [1991] 1 IR 560. For the meaning of 'land' see para 605 note 5 ante.

2 Trustee Act 1925 s 40(1)(a). See also *London and County Banking Co v Goddard* [1897] 1 Ch 642 (trust of the legal estate in the case of an equitable mortgage). An instrument in writing may suffice in the case of the property of a trade union or an unincorporated employers' association: see the Trade Union and Labour Relations (Consolidation) Act 1992 ss 13, 129(1)(b); and TRADE, INDUSTRY AND INDUSTRIAL RELATIONS vol 47 (2001 Reissue) paras 1030, 1208. As to things in action see CHOSES IN ACTION.

3 Trustee Act 1925 s 40(1)(b).

4 Ie under ibid s 39 (as amended): see para 891 post.

5 Ie under the Trusts of Land and Appointment of Trustees Act 1996 s 19: see para 897 post.

6 Trustee Act 1925 s 40(2)(a) (s 40(2) amended by the Trusts of Land and Appointment of Trustees Act 1996 s 25(1), Sch 3 para 3(14)).

7 Trustee Act 1925 s 40(2)(b) (as amended: see note 6 supra).

8 Ie the persons referred to in ibid s 40(1), (2) (as amended).

9 Ibid s 40(3). This provision is, however, without prejudice to any express provision to the contrary contained in the deed of appointment or discharge: s 40(3).

867. Property to which vesting declaration does not extend. The vesting declaration[1] does not extend to:

(1) land conveyed by way of mortgage[2] for securing money subject to the trust, except land conveyed on trust for securing debentures or debenture stock[3];

(2) land held under a lease[4] which contains any covenant, condition or agreement against assignment or disposing of the land without licence or consent, unless, prior to the execution of the deed containing expressly or impliedly the vesting declaration, the requisite licence or consent has been obtained, or unless, by virtue of any statute or rule of law, the vesting declaration, express or implied, would not operate as a breach of covenant or give rise to a forfeiture[5];

(3) any share, stock[6], annuity or property which is only transferable in books kept by a company or other body, or in manner directed by or under Act of Parliament[7].

1 Ie the declaration under the Trustee Act 1925 s 40 (as amended): see para 866 ante.

2 For these purposes, 'mortgage' includes a charge by way of legal mortgage, and relates to every estate and interest regarded in equity as merely a security for money: ibid s 68(1) para (7).

3 Ibid s 40(4)(a).

4 For these purposes, 'lease' includes an underlease and an agreement for a lease or underlease: ibid s 40(4).

5 Ibid s 40(4)(b).

6 For the meaning of 'stock' see para 884 note 2 post.

7 Trustee Act 1925 s 40(4)(c). The property of a trade union and an unincorporated employers' association is not subject to these limits: see the Trade Union and Labour Relations (Consolidation) Act 1992 ss 13, 129(1)(b); and TRADE, INDUSTRY AND INDUSTRIAL RELATIONS vol 47 (2001 Reissue) paras 1030, 1208.

868. Registered land. The Land Registry must recognise and give effect to vesting declarations although the legal estate will not pass until effect is given to the vesting declaration on the register[1]. This will require investigation of the authority of the appointor executing the declaration. It is thus more expedient for the old trustees simply to execute a transfer in favour of the new trustees[2].

1 See the Land Registration Act 2002 s 27(1), (5); and LAND REGISTRATION vol 26 (2004 Reissue) para 911 et seq.
2 See Ruoff and Roper *Registered Conveyancing* para 37.011.

(3) VESTING ORDERS

(i) In general

869. Powers of the court. The High Court and, in cases within its jurisdiction, a county court[1] may make a vesting order[2] as to trust property and as to property which, for the purposes of the powers to make such an order, is deemed to be held by a person as a trustee[3] where it is impossible or difficult to deal with the property without such order[4].

1 See the Trustee Act 1925 s 67(1) (as amended); and para 632 ante. As to the jurisdiction of the High Court see para 632 ante; and as to the jurisdiction of county courts see para 642 ante.
2 As to the giving of effect to vesting orders in the case of registered land see LAND REGISTRATION vol 26 (2001 Reissue) para 911. As to vesting orders in relation to mortgages see para 882 post; and MORTGAGE vol 32 (2005 Reissue) paras 806, 826. As to vesting orders in relation to property in which a minor is interested see ibid s 53; and CHILDREN AND YOUNG PERSONS vol 5(3) (Reissue) para 71. As to the making of vesting orders in relation to the property of persons suffering from a mental disorder or lacking capacity within the meaning of the Mental Capacity Act 2005 see MENTAL HEALTH vol 30(2) (Reissue) para 723 et seq. As to the effect of vesting orders see paras 877–878 post.
3 For the meaning of 'trustee' see para 601 ante.
4 As to vesting orders of land generally see para 875 et seq post. As to vesting orders of stock or things in action see para 884 et seq post.

870. Extent of powers. The court's powers to make vesting orders extend to all property in any part of Her Majesty's dominions except Scotland[1], and may be exercised for vesting any interest in land[2], stock[3] or thing in action in any trustee of a charity or society over which the court would have jurisdiction upon action duly instituted, whether the appointment of the trustee was made by instrument under a power or by the court under its general or statutory jurisdiction[4]. In charity proceedings the Charity Commission has concurrent jurisdiction with the High Court to make vesting orders[5].

The provisions of the Trustee Act 1925 bind the Crown, and accordingly a vesting order made under the Act is effective, notwithstanding that the Crown has a beneficial interest in the property concerned[6].

1 Trustee Act 1925 s 56. For the meaning of 'Her Majesty's dominions' see COMMONWEALTH vol 6 (2003 Reissue) para 703.
2 For the meaning of 'land' see para 605 note 5 ante.
3 For the meaning of 'stock' see para 884 note 2 post.
4 Trustee Act 1925 s 52; and see *Re Breary* [1873] WN 48. As to things in action see CHOSES IN ACTION.
5 As to the power of the Charity Commission to make orders with respect to the vesting in or transfer to charity trustees of any property see CHARITIES vol 5(2) (2001 Reissue) para 265.
6 See the Trustee Act 1925 s 71(4); and para 603 note 1 ante. The cases decided on the Trustee Act 1893 (repealed), eg *Re Taylor's Agreement Trusts* [1904] 2 Ch 737, to the contrary effect have ceased to be applicable. As to orders respecting the private estates of the Crown see CROWN PROPERTY vol 12(1) (Reissue) para 354 et seq.

871. Procedure for applying for a vesting order. An application to the High Court for a vesting order is begun using the Part 8 procedure[1].

1 See CPR Pt 8; and PRACTICE AND PROCEDURE vol 37 (Reissue) para 1351.

872. Persons who may apply for orders and persons to be served. An order concerning any interest in land[1], stock[2] or thing in action subject to a trust may be made on the application of any person beneficially interested in the land, stock or thing in

action, whether under disability or not, or on the application of any person duly appointed trustee of it[3]. All the beneficiaries and the persons in whom the property is vested should either join in the application or be served with it[4], unless owing to their absence from the jurisdiction or otherwise there is good reason to the contrary[5].

1 For the meaning of 'land' see para 605 note 5 ante.
2 For the meaning of 'stock' see para 884 note 2 post.
3 Trustee Act 1925 s 58(1). As to things in action see CHOSES IN ACTION.
4 *Re Prescott's Trust* (1852) 19 LTOS 371.
5 *Re Blanchard's Estate* (1863) 2 New Rep 386; *Re Stanley* (1893) 62 LJ Ch 469. As to the position where the beneficiary is a person suffering from mental incapacity see *Re Bourke* (1864) 2 De GJ & Sm 426.

873. Costs of application. The court may order the costs and expenses of and incident to an application for a vesting order, or of and incident to any such order or any conveyance or transfer in pursuance of it, to be raised and paid out of the property in respect of which the order is made or out of the income of such property, or to be borne and paid in such manner and by such persons as to the court may seem just[1].

1 Trustee Act 1925 s 60. See *Bradley v Munton* (1852) 16 Beav 294; *Ex p Davies* (1852) 16 Jur 882; *Ayles v Cox, ex p Attwood* (1853) 17 Beav 584; *Re Nash's Estate* (1855) 4 WR 111; *Re Thornton's Trusts* (1861) 9 WR 475; *Re Knox's Trusts* [1895] 2 Ch 483, CA; *Re Ruthven's Trusts* [1906] 1 IR 236, Ir CA. For the form of an order that the costs and expenses be a charge on the real property and be raised by mortgage thereof see 2 Seton's Judgments and Orders (7th Edn) 1179. As to the general entitlement of trustees to their costs out of the trust funds see CPR 48.4; and para 907 post.

874. Vesting order in case of person mentally disordered or lacking capacity. The power to make vesting orders in relation to trust property where the power of appointing new trustees or of retiring from the trust is vested in a person suffering from mental disorder[1] or lacking capacity[2], or in relation to the property of such a person, is discussed elsewhere in this work[3].

1 Ie within the meaning of the Mental Health Act 1983: see MENTAL HEALTH vol 30(2) (Reissue) para 402.
2 Ie within the meaning of the Mental Capacity Act 2005: see MENTAL HEALTH vol 30(2) (Reissue) para 641.
3 As to vesting and transfer orders in these circumstances see MENTAL HEALTH vol 30(2) (Reissue) para 723 et seq; and as to the effect of such orders see para 877 post.

(ii) Vesting Orders of Land

A. ORDERS ON THE APPOINTMENT ETC OF TRUSTEES

875. Vesting orders as to land. The court[1] may make an order (a 'vesting order') vesting trust land[2] or any interest in such land in any such person and in any such manner and for any such estate or interest as the court may direct, or releasing or disposing of the contingent right[3] in such land to such person as the court may direct, in the following cases[4]:

(1) where the court appoints or has appointed a trustee or where a trustee has been appointed out of court under any statutory or express power[5];
(2) where a trustee entitled to or possessed of any land or interest in land, whether by way of mortgage[6] or otherwise, or entitled to a contingent right in land, solely or jointly with any other person, either:
    (a) is under disability[7]; or
    (b) is out of the jurisdiction of the High Court[8]; or
    (c) cannot be found, or, being a corporation, has been dissolved[9];

(3) where it is uncertain who was the survivor of two or more trustees jointly entitled to or possessed of any interest in land[10];

(4) where it is uncertain whether the last trustee known to have been entitled to or possessed of any interest in land is living or dead[11];

(5) where there is no personal representative[12] of a deceased trustee who was entitled to or possessed of any interest in land, or where it is uncertain[13] who is the personal representative of a deceased trustee who was entitled to or possessed of any interest in land[14];

(6) where a trustee jointly or solely entitled to or possessed of any interest in land, or entitled to a contingent right in land, has been required, by or on behalf of a person entitled to require a conveyance of the land or interest or a release of the right, to convey[15] the land or interest or to release the right, and has wilfully refused or neglected to convey the land or interest or release the right for 28 days after the date of the requirement[16];

(7) where land or any interest in land is vested in a trustee, whether by way of mortgage or otherwise, and it appears to the court to be expedient[17].

1 For the meaning of 'court' see para 632 note 3 ante. See also para 869 ante.

2 For the meaning of 'land' see para 605 note 5 ante.

3 For these purposes, 'contingent right' as applied to land includes a contingent or executory interest, a possibility coupled with an interest, whether the object of the gift or limitation of the interest, or possibility is or is not ascertained, and also a right of entry, whether immediate or future and whether vested or contingent: Trustee Act 1925 s 68(1) para (2).

4 See ibid s 44.

5 Ibid s 44(i). For the meaning of 'trustee' see para 601 ante.

6 For the meaning of 'mortgage' see para 867 note 2 ante.

7 Trustee Act 1925 s 44(ii)(a). A person incapable of managing his affairs is clearly under disability: *Re Harrison's Settlement Trusts, Morris v Harrison-Sleap* [1965] 3 All ER 795, [1965] 1 WLR 1492 (order vesting the assets in the remaining trustees without removing the incapable trustee refused). As to the power to make vesting orders in relation to such persons see MENTAL HEALTH vol 30(2) (Reissue) para 723 et seq. The appointment of a minor to be a trustee of any property is void: see para 609 ante.

8 Trustee Act 1925 s 44(ii)(b). See *Re Skitter's Mortgage Trust* (1856) 4 WR 791; *Hooper v Strutton* (1864) 12 WR 367; *Re O'Donnell's Trusts* (1871) 19 WR 522; *Re Keeley's Trusts* (1885) 53 LT 487.

9 Trustee Act 1925 s 44(ii)(c). As to a trustee who cannot be found see *Re Hulme's Trusts* (1887) 57 LT 13. As to a corporation which has been dissolved see *Re Strathlaine Estates Ltd* [1948] Ch 228, [1948] 1 All ER 162.

10 Trustee Act 1925 s 44(iii).

11 Ibid s 44(iv).

12 For the meaning of 'personal representative' see para 602 note 1 ante.

13 The uncertainty may arise from delay in probate owing to the will being disputed: *Re Cook's Mortgage* [1895] 1 Ch 700.

14 Trustee Act 1925 s 44(v). Where a rector died before the completion of the sale of his rectory and no successor was to be appointed, he was declared to have been a trustee at his death and a vesting order was made: *Re Peek's Contract* (1920) 65 Sol Jo 220.

15 For these purposes, 'convey' and 'conveyance' as applied to any person include the execution by that person of every necessary or suitable assurance (including an assent) for conveying, assigning, appointing, surrendering or otherwise transferring or disposing of land of which he is seised or possessed, or in which he is entitled to a contingent right, either for his whole estate or for any less estate, together with the performance of all formalities required by law for the validity of the conveyance: Trustee Act 1925 s 68(1) para (3).

16 Ibid s 44(vi). A mortgagor who has been foreclosed and has neglected or refused to convey the mortgaged property after being required to do so is a trustee within this provision, so that a vesting order may be made: *Jones v Davies* [1940] WN 174. See also *Rowley v Adams* (1851) 14 Beav 130; *Re Badcock's Trusts* (1854) 2 WR 386; *McMurray v Spicer* (1868) LR 5 Eq 527; *Re O'Donnell's Trusts* (1871) 19 WR 522; *Re Grayson's Trusts* (1879) 27 WR 534; *Re Keeley's Trusts* (1885) 53 LT 487; *Re Knox's Trusts* [1895] 2 Ch 483, CA (recusant trustee ordered to pay costs); *Re Ruthven's Trusts* [1906] 1 IR 236, Ir CA. The refusal of a trustee to convey is not wilful if there is doubt as to the title: *Re Mills' Trusts* (1888) 40 ChD 14, CA.

17 Trustee Act 1925 s 44(vii).

876. Estate which vests under order. Where a vesting order[1] is consequential on the appointment of a trustee[2], the land[3] or interest in land must be vested for such estate as the court[4] may direct in the persons who on the appointment are the trustees[5]. Where a vesting order relates to a trustee entitled or formerly entitled jointly with another person, and the trustee is under disability or out of the jurisdiction of the High Court or cannot be found, or, being a corporation, has been dissolved, the land, interest or right must be vested in such other person who remains entitled, either alone or with any other person the court may appoint[6].

1 For the meaning of 'vesting order' see para 875 ante.
2 For the meaning of 'trustee' see para 601 ante.
3 For the meaning of 'land' see para 605 note 5 ante.
4 For the meaning of 'court' see para 632 note 3 ante.
5 Trustee Act 1925 s 44 proviso (a). See *Re Watt's Settlement* (1851) 9 Hare 106; *Re Plyer's Trust* (1851) 9 Hare 220; *Re Fisher's Will Trustees* (1853) 1 WR 505; *Smith v Smith* (1854) 3 Drew 72; *Re Marquis of Bute's Will* (1859) John 15; *Re Rathbone* (1876) 2 ChD 483, CA; *Re Pilling's Trusts* (1884) 26 ChD 432; *Re Rackstraw's Trusts* (1885) 52 LT 612; *Re Bishop of Sarum* [1886] WN 140; *Re William's Trusts* (1887) 36 ChD 231.
6 Trustee Act 1925 s 44 proviso (b). See *Re Templer's Trusts* (1864) 4 New Rep 494; *Re Greenwood's Trusts* (1884) 27 ChD 359.

877. Effect of vesting order. Where it is consequential on the appointment of a trustee[1], a vesting order[2] has the same effect as if the persons who before the appointment were the trustees, if any, had duly executed all proper conveyances of the land[3] for such estate or interest as the court[4] directs, or, if there is no such person or no such person of full capacity, then as if such a person had existed and been of full capacity, and had duly executed all proper conveyances of the land for such estate or interest as the court directs[5]. In every other case a vesting order has the same effect as if the trustee or other person, or description or class of persons, to whose rights or supposed rights the statutory provisions as to vesting orders relate had been an ascertained and existing person of full capacity, and had executed a conveyance or release to the effect intended by the order[6].

1 For the meaning of 'trustee' see para 601 ante.
2 For the meaning of 'vesting order' see para 875 ante.
3 For the meaning of 'conveyance' see para 875 note 15 ante. For the meaning of 'land' see para 605 note 5 ante.
4 For the meaning of 'court' see para 632 note 3 ante.
5 Trustee Act 1925 s 49. Cf the Law of Property Act 1925 s 9; and REAL PROPERTY vol 39(2) (Reissue) para 232. The effect may be to bar an estate tail: *Re Montagu, Faber v Montagu* [1896] 1 Ch 549; *Re Hambrough's Estate, Hambrough v Hambrough* [1909] 2 Ch 620. It has not been possible to create an entailed interest since 1 January 1997 (see the Trusts of Land and Appointment of Trustees Act 1996 s 2, Sch 1 para 5; para 605 note 7 ante; and REAL PROPERTY vol 39(2) (Reissue) para 105; SETTLEMENTS vol 42 (Reissue) para 677), but then existing entailed interests are unaffected.
6 Trustee Act 1925 s 49. See note 5 supra.

878. Conclusive effect of orders made upon certain allegations. Where a vesting order is made[1] as to any land[2], founded on an allegation of any of the following matters:

(1) the personal incapacity of a trustee[3]; or
(2) that a trustee or the personal representative[4] of or other person deriving title under a trustee is out of the jurisdiction of the High Court or cannot be found, or, being a corporation, has been dissolved[5]; or
(3) that it is uncertain which of two or more trustees was the survivor[6]; or
(4) that it is uncertain whether the last trustee, or the personal representative of or other person deriving title under a trustee, is living or dead[7]; or

(5) that any trustee has died intestate without leaving a person beneficially interested under the intestacy, or has died and it is not known who is his personal representative or the person interested[8],

then the fact that the order has been so made is conclusive evidence of the matter so alleged in any court upon any question as to the validity of the order[9].

The court may, however, direct a reconveyance or surrender or the payment of costs occasioned by any such order if improperly obtained[10].

1 Ie under the Trustee Act 1925 or under the Mental Health Act 1983 Pt VII (ss 93–113) (as amended; prospectively repealed) or any corresponding provisions having effect in Northern Ireland: see the Trustee Act 1925 s 55 (amended by the Mental Health Act 1983 s 148(1), Sch 4 para 4(d)). As from 1 October 2007, this provision is further amended so as to refer also to vesting orders made under the Mental Capacity Act 2005 ss 15–20: see the Trustee Act 1925 s 55 (as so amended; and further amended by the Mental Capacity Act 2005 s 67(1), Sch 6 para 3(1), (5)(a)); the Mental Capacity Act 2005 (Commencement No 2) Order 2007, SI 2006/1897. For the meaning of 'vesting order' for the purposes of the Trustee Act 1925 see para 875 ante. As to vesting orders see MENTAL HEALTH vol 30(2) (Reissue) para 723 et seq; and as to corresponding provisions having effect in Northern Ireland see MENTAL HEALTH vol 30(2) (Reissue) para 405.

2 For the meaning of 'land' see para 605 note 5 ante.

3 Trustee Act 1925 s 55(a). As from 1 October 2007, this provision is substituted so as to refer to the lack of capacity of a trustee in relation to the matter in question: see s 55(a) (substituted by the Mental Capacity Act 2005 s 67(1), Sch 6 para 3(1), (5)(b)); the Mental Capacity Act 2005 (Commencement No 2) Order 2007, SI 2006/1897. For the meaning of 'trustee' see para 601 ante.

4 For the meaning of 'personal representative' see para 602 note 1 ante.

5 Trustee Act 1925 s 55(b).

6 Ibid s 55(c).

7 Ibid s 55(d).

8 Ibid s 55(e).

9 Ibid s 55 (as amended: see note 1 supra). These provisions are also applicable where the allegation on which the vesting order was made related to a mortgagee: see s 55 (as so amended). As to vesting orders in the case of a mortgagee see paras 881–882 post; and MORTGAGE vol 32 (2005 Reissue) paras 806, 826.

10 See ibid s 55 (as amended: see note 1 supra).

879. Appointment of person to convey. In all cases where a vesting order[1] may be made, the court[2] may, if it is more convenient, appoint a person to convey the land[3] or any interest in land or release the contingent right[4]; and a conveyance or release by that person in conformity with the order has the same effect as a vesting order would have had[5].

1 For the meaning of 'vesting order' see para 875 ante.

2 For the meaning of 'court' see para 632 note 3 ante.

3 For the meaning of 'convey' see para 875 note 15 ante. For the meaning of 'land' see para 605 note 5 ante.

4 For the meaning of 'contingent right' see para 875 note 3 ante.

5 Trustee Act 1925 s 50. See *Re Plyer's Trust* (1851) 9 Hare 220; *Hargreaves v Wright* (1853) 1 WR 408; *Wellesley v Wellesley, Mornington v Mornington, ex p Countess Mornington* (1853) 4 De GM & G 537, CA; *Wood v Beetlestone* (1854) 1 K & J 213; *Wilks v Groom* (1856) 6 De GM & G 205; *Hancox v Spittle* (1857) 3 Sm & G 478; *Re Willan* (1861) 9 WR 689; *Re Taylor* [1866] WN 5; *Derham v Kiernan* (1871) IR 5 Eq 217; *Grace v Baynton* [1877] WN 79; *Foster v Parker* (1878) 8 ChD 147; *Hall v Hale* (1884) 51 LT 226; *Moorhead v Kirkwood* [1919] 1 IR 225 (where it was held that the application was to be made by the person having the conduct of the proceedings and not by the purchaser); *Hipkin v Hipkin* [1962] 2 All ER 155, [1962] 1 WLR 491 (appointment of sequestrator to convey contemnor's land). As to the jurisdiction of county courts see para 641 ante; and as to trustees lacking mental capacity see *Herring v Clark* (1868) 4 Ch App 167; *Re Mason* (1875) 10 Ch App 273; *Re Vicat* (1886) 33 ChD 103, CA (where a continuing trustee was appointed); *Re Jones, Zincraft's Will Trusts* (1886) 33 ChD 414; *Re Nicholson* (1887) 34 ChD 663, CA; *Cowper v Harmer* (1887) 57 LT 714 (where it was held that a covenant for quiet enjoyment by a person lacking mental capacity could not be inserted in a lease); *Re JJD* [1928] IR 538.

B. OTHER VESTING ORDERS OF LAND

880. Orders as to contingent rights of unborn persons. Where any interest in land[1] is subject to a contingent right[2] in an unborn person or class of unborn persons who, on coming into existence, would in respect thereof become entitled to or possessed of that interest on any trust[3], the court[4] may make an order releasing the land or interest from the contingent right, or may make an order vesting in any person the estate or interest to or of which the unborn person or class of unborn persons would, on coming into existence, be entitled or possessed in the land[5].

1 For the meaning of 'land' see para 605 note 5 ante.
2 For the meaning of 'contingent right' see para 875 note 3 ante.
3 For the meaning of 'trust' see para 601 ante.
4 For the meaning of 'court' see para 632 note 3 ante.
5 Trustee Act 1925 s 45.

881. Vesting order in place of conveyance by mortgagee who is a minor. Where any person entitled to or possessed of any interest in land[1] or entitled to a contingent right[2] in land by way of security for money is a minor, the court[3] may make an order vesting or releasing or disposing of the interest in the land or the right in like manner as in the case of a trustee under disability[4].

1 For the meaning of 'land' see para 605 note 5 ante.
2 For the meaning of 'contingent right' see para 875 note 3 ante.
3 For the meaning of 'court' see para 632 note 3 ante.
4 Trustee Act 1925 s 46. As to the making of vesting or other orders in the case of a trustee under disability see para 875 ante.

882. Vesting where sale or mortgage ordered by the court. Where a court[1] gives a judgment or makes an order directing the sale[2] or mortgage[3] of any land[4], every person who is entitled to or possessed of any interest in the land or entitled to a contingent right[5] in it, and is a party to the claim or proceeding in which the judgment or order is given or made, or is otherwise bound by the judgment or order, is deemed to be so entitled or possessed, as the case may be, as a trustee for the purposes of the Trustee Act 1925[6]; and the court may, if it thinks it expedient, make an order vesting the land or any part of it, for such estate or interest as that court thinks fit, in the purchaser or mortgagee[7] or in any other person[8].

1 For the meaning of 'court' see para 632 note 3 ante.
2 For these purposes, 'sale' includes an exchange: Trustee Act 1925 s 68(1) para (3).
3 For the meaning of 'mortgage' see para 867 note 2 ante.
4 For the meaning of 'land' see para 605 note 5 ante. As to the court's power to order a sale or mortgage of land see EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 727; SALE OF LAND vol 42 (Reissue) para 133 et seq.
5 For the meaning of 'contingent right' see para 875 note 3 ante.
6 Trustee Act 1925 s 47.
7 For these purposes, 'mortgagee' includes a chargee by way of legal mortgage and every person deriving title under the original mortgagee: ibid s 68(1) para (7).
8 Ibid s 47. In the case of a legal mortgage the estate to be vested in the mortgagee is a term of years absolute: s 47 proviso.

883. Vesting where specific performance or conveyance is ordered. Where a judgment is given for the specific performance[1] of a contract concerning any interest in land[2] or for sale[3] or exchange of any interest in land, or generally where any judgment is given for the conveyance[4] of any interest in land, either in cases arising out of the doctrine of election[5] or otherwise, the court[6] may declare that:

(1) any of the parties to the claim are trustees of any interest in the land or any part of it within the meaning of the Trustee Act 1925[7]; or
(2) the interests of unborn persons who might claim under any party to the claim, or under the will or voluntary settlement of any deceased person who was during his lifetime a party to the contract or transaction concerning which the judgment is given, are the interests of persons who, on coming into existence, would be trustees within the meaning of that Act[8].

The court may then make a vesting order relating to the rights of those persons, born and unborn, as if they had been trustees[9].

1 As to specific performance see SPECIFIC PERFORMANCE.
2 For the meaning of 'land' see para 605 note 5 ante.
3 For the meaning of 'sale' see para 882 note 2 ante.
4 For the meaning of 'conveyance' see para 875 note 15 ante.
5 As to the doctrine of election see EQUITY vol 16(2) (Reissue) para 724 et seq.
6 For the meaning of 'court' see para 632 note 3 ante.
7 Trustee Act 1925 s 48(a). For the meaning of 'trustee' see para 601 ante.
8 Ibid s 48(b).
9 Ibid s 48. See *Caswell v Sheen* (1893) 69 LT 854; *Re Montagu, Faber v Montagu* [1896] 1 Ch 549. See also *Mellor v Porter* (1883) 25 ChD 158.

(iii) Vesting Orders as to Stock and Things in Action

884. Power to make orders. The court[1] may make an order vesting the right to transfer or call for a transfer of stock[2], or to receive the dividends or income of such stock, or to sue for or recover a thing in action, in any such person as the court may appoint, in the following cases[3]:

(1) where the court appoints or has appointed a trustee, or where a trustee has been appointed out of court under any statutory or express power[4];
(2) where a trustee entitled, whether by way of mortgage[5] or otherwise, alone or jointly with another person to stock or to a thing in action:
  (a) is under disability[6]; or
  (b) is out of the jurisdiction of the High Court[7]; or
  (c) cannot be found, or, being a corporation, has been dissolved[8]; or
  (d) neglects or refuses to transfer stock or receive the dividends or income of such stock, or to sue for or recover a thing in action, according to the direction of the person absolutely entitled to it, for 28 days next after a request in writing has been made to him by the person so entitled[9]; or
  (e) neglects or refuses to transfer stock or receive the dividends or income of it, or to sue for or recover a thing in action, for 28 days next after an order of the court for that purpose has been served on him[10];
(3) where it is uncertain whether a trustee entitled alone or jointly with another person to stock or to a thing in action is alive or dead[11];
(4) where stock is standing in the name of a deceased person whose personal representative is under disability[12];
(5) where stock or a thing in action is vested in a trustee, whether by way of mortgage or otherwise, and it appears to the court to be expedient[13].

1 For the meaning of 'court' see para 632 note 3 ante.
2 For these purposes, 'stock' includes fully paid up shares, and, so far as relates to vesting orders made by the court under the Trustee Act 1925, includes any fund, annuity or security transferable in books kept by any company or society or by instrument of transfer either alone or accompanied by other formalities, and any share or interest therein: s 68(1) para (14). See *Re New Zealand Trust and Loan Co* [1893] 1 Ch 403, CA. The provisions of the Trustee Act 1925 as to vesting orders apply to shares in ships registered under the Merchant Shipping Act 1995 as if they were stock: Trustee Act 1925 s 51(6)

(amended by the Merchant Shipping Act 1995 s 314(2), Sch 13 para 13). 'Transfer', in relation to stock or securities, includes the performance and execution of every deed, power of attorney, act and thing on the part of the transferor to effect and complete the title in the transferee: Trustee Act 1925 s 68(1) para (16).

A vesting order can only be made in respect of stocks and shares situated within the territorial jurisdiction of the court. However, the court has jurisdiction to make an order in personam directing a person within its jurisdiction to carry out his fiduciary duties arising under a trust notwithstanding that the order relates to property abroad: *Chellaram v Chellaram* [1985] Ch 409, [1985] 1 All ER 1043; *Webb v Webb* [1992] 1 All ER 17, [1991] 1 WLR 1410 (further proceedings [1994] QB 696, [1994] 3 All ER 911, ECJ); *Ashurst v Pollard* [2000] 2 All ER 772.

3 See the Trustee Act 1925 s 51(1). As to things in action see CHOSES IN ACTION.

4 Ibid s 51(1)(i). For the meaning of 'trustee' see para 601 ante.

5 For the meaning of 'mortgage' see para 867 note 2 ante.

6 Trustee Act 1925 s 51(1)(ii)(a). As to minors see *Devoy v Devoy* (1857) 3 Sm & G 403; *Stone v Stone* (1857) 3 Jur NS 708; *Sanders v Homer* (1858) 25 Beav 467; *Rives v Rives* [1866] WN 144; *Gardner v Cowles* (1876) 3 ChD 304; *Re Harwood (infants)* (1882) 20 ChD 536; *Re Findlay (an infant)* (1886) 32 ChD 221; *Re Barnett's Estate, Foster v Barnett* [1889] WN 216; *Re Dehaynin (infants)* [1910] 1 Ch 223, CA. As to the making of vesting and transfer orders see also MENTAL HEALTH vol 30(2) (Reissue) para 723 et seq.

7 Trustee Act 1925 s 51(1)(ii)(b).

8 Ibid s 51(1)(ii)(c). As to a corporation having been dissolved see *Orwin v A-G* [1998] 2 BCLC 693, [1998] FSR 415, CA.

9 Trustee Act 1925 s 51(1)(ii)(d). See *Re Knox's Trusts* [1895] 2 Ch 483, CA. The refusing trustee may be ordered to pay the costs of the application: *Re Knox's Trusts* supra. The application cannot be made until the 28 days have expired: *Re Knox's Trusts* [1895] 1 Ch 538. The posting of a request to the trustee is prima facie evidence of its delivery to him: *Re Struve's Trusts* [1912] WN 149.

10 Trustee Act 1925 s 5(1)(ii)(e).

11 Ibid s 51(1)(iii). See *Re New Zealand Trust and Loan Co* [1893] 1 Ch 403, CA.

12 Trustee Act 1925 s 51(1)(iv).

13 Ibid s 51(1)(v). Although the President of the Family Division was not by virtue of the Administration of Estates Act 1925 s 9 (as originally enacted) a trustee for this purpose (see *Re Deans, Westminster Bank Ltd v Official Solicitor* [1954] 1 All ER 496, [1954] 1 WLR 332), it is not clear whether the position is the same under the Administration of Estates Act 1925 s 9 (as substituted) whereby on an intestacy or a lack of executors a person's real and personal estate will vest in the Public Trustee. See further para 731 ante; and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 34. As to the Public Trustee see para 766 et seq ante.

885. Terms of order. Where the order as to stock or a thing in action[1] is consequential on the appointment of a trustee, the right is to be vested in the persons who, on the appointment, are the trustees[2]; and, where the person whose right is dealt with by the order was entitled jointly with another person, the right is to be vested in that other person either alone or jointly with any additional person whom the court may appoint[3].

1 Ie an order under the Trustee Act 1925 s 51 (as amended): see para 884 ante. For the meaning of 'stock' see para 884 note 2 ante. As to things in action see CHOSES IN ACTION.

2 Ibid s 51(1) proviso (a). For the meaning of 'trustee' see para 601 ante.

3 Ibid s 51(1) proviso (b). For the meaning of 'court' see para 632 note 3 ante.

886. Appointment of person to transfer. In all cases where a vesting order as to stock and things in action may be made[1], the court[2] may, if it is more convenient, appoint some proper person to make or join in making the transfer[3].

1 Ie under the Trustee Act 1925 s 51 (as amended): see paras 884–885 ante. For the meaning of 'stock' see para 884 note 2 ante. As to things in action see CHOSES IN ACTION.

2 For the meaning of 'court' see para 632 note 3 ante.

2 Trustee Act 1925 s 51(2). The person to be appointed to make or join in making a transfer of stock must be some proper officer of the bank, company or society whose stock is to be transferred: s 51(2) proviso. For the meaning of 'transfer' see para 884 note 2 ante.

887. Exercise of right to transfer. The person in whom the right to transfer or call for the transfer of stock[1] is vested by an order of the court[2] may transfer the stock to

himself or any other person, according to the order[3]. The court may make declarations and give directions concerning the manner in which the right to transfer any stock or thing in action vested under the provisions of the Trustee Act 1925 is to be exercised[4].

1 For the meaning of 'stock' see para 884 note 2 ante. For the meaning of 'transfer' see para 884 note 2 ante.
2 Ie under the Trustee Act 1925 s 51 (as amended): see paras 884–885 ante. For the meaning of 'court' see para 632 note 3 ante.
3 Ibid s 51(3). See *Re Gregson* [1893] 3 Ch 233, CA; *Re CMG* [1898] 2 Ch 324, CA.
4 Trustee Act 1925 s 51(5). As to things in action see CHOSES IN ACTION.

888. Effect of order. The Registrar of Government Stock and any company must obey every vesting order as to stock and things in action[1] according to its tenor[2]; and after notice in writing of such an order may not transfer any stock to which it relates or pay any dividends on it except in accordance with the order[3].

1 Ie orders made under the Trustee Act 1925 s 51 (as amended): see paras 884–885 ante. For the meaning of 'stock' see para 884 note 2 ante. As to things in action see CHOSES IN ACTION. As to the Registrar of Government Stock see MONEY vol 32 (2005 Reissue) para 159.
2 See ibid s 51(3) (amended by the Government Stock (Consequential and Transitional Provision) (No 2) Order 2004, SI 2004/1662, art 2, Schedule Pt 2 para 10(1), (2)(a)).
3 Trustee Act 1925 s 51(4) (amended by the Government Stock (Consequential and Transitional Provision) (No 2) Order 2004, SI 2004/1662, art 2, Schedule Pt 2 para 10(1), (2)(b)). See *Re Gregson* [1893] 3 Ch 233 at 237, CA, per Lindley LJ; *Re CMG* [1898] 2 Ch 324, CA.

(4) VACATION OF OFFICE

(i) Death and Retirement

889. Death of trustee. Although a person ceases to be a trustee on his death[1], his estate may remain subject to liabilities incurred during his trusteeship[2].

1 As to the devolution of the trust property see para 732 ante; and as to the devolution of the trusts and powers see para 981 post.
2 As to breach of trust see para 1084 et seq post.

890. Trustee's right to retire. A person cannot be compelled to remain a trustee and act in the execution of a trust[1]; but according to the older authorities a trustee who has accepted a trust cannot from mere caprice or other trivial cause, or owing to some act or circumstances affecting himself personally, abandon the trust at the expense of the beneficiaries[2]. He has, however, always been able to insist on being discharged at the expense of the trust property if he has served for a long time and is of advanced age and in failing health[3], or if much litigation has taken place[4], or other difficult circumstances have arisen in connection with the trust which did not exist and were not contemplated when he undertook the office[5]. In such cases, if he cannot otherwise obtain his discharge, he may apply for it to a court of competent jurisdiction in proceedings to administer the trust[6]. He is not bound to show that there is some other person ready to accept the trust[7]. If no person is willing to accept the trust, it may be necessary to postpone the discharge of the trustee and keep him before the court; but, if this is done, the court takes care that he does not suffer thereby[8]. Since, however, by statute a trustee now has the right to retire if he desires to do so[9], it would seem that a trustee should normally be allowed the costs of an application to the court if for any reason he is unable to take advantage of the statutory provisions.

1 *Forshaw v Higginson* (1855) 20 Beav 485 at 487 per Romilly MR.
2 *Howard v Rhodes* (1837) 1 Keen 581; *Courtenay v Courtenay* (1846) 3 Jo & Lat 519 at 529 per Sugden LC; *Forshaw v Higginson* (1855) 20 Beav 485 at 486 et seq.

3 *Gardiner v Downes* (1856) 22 Beav 395.
4 *Barker v Peile* (1865) 2 Drew & Sm 340.
5 *Coventry v Coventry* (1837) 1 Keen 758 (where the tenant for life had charged the trust property with annuities and other incumbrances); *Greenwood v Wakeford* (1839) 1 Beav 576 at 581–582 per Lord Langdale MR; *Forshaw v Higginson* (1855) 20 Beav 485; *Gardiner v Downes* (1856) 22 Beav 395 at 397 per Romilly MR.
6 *Forshaw v Higginson* (1855) 20 Beav 485 at 487 (where the persons having the power of appointing a new trustee refused to exercise it); *Re Chetwynd's Settlement, Scarisbrick v Nevinson* [1902] 1 Ch 692; *Re Stretton, Stretton v Clegg* [1942] WN 95. Where administration is not asked for, the court cannot under the Trustee Act 1925 s 41(1) (as amended) (see para 849 et seq ante) discharge a trustee without appointing a new trustee in his place: *Re Aston* (1883) 23 ChD 217, CA; *Re Chetwynd's Settlement, Scarisbrick v Nevinson* supra at 693 per Farwell J.
7 *Courtenay v Courtenay* (1846) 3 Jo & Lat 519 at 533 per Sugden LC.
8 *Courtenay v Courtenay* (1846) 3 Jo & Lat 519 at 533. See also *Re Chetwynd's Settlement, Scarisbrick v Nevinson* [1902] 1 Ch 692 at 694 per Farwell J.
9 See the Trustee Act 1925 ss 36(1), 39(1) (as amended); and paras 836 ante, 891 post. See also *Re Duke of Norfolk's Settlement Trusts, Earl of Perth v Fitzalan-Howard* [1982] Ch 61 at 81, [1981] 3 All ER 220 at 231, CA, per Brightman LJ.

891. Method of retirement. Except so far as authorised by statute[1] or by the instrument, if any, creating the trust, a trustee may only retire during the continuance of a trust by the valid appointment of another trustee in his place[2].

By statute, where a trustee desires to be discharged from the trust, and after his discharge there will be either a trust corporation[3] or at least two persons to act as trustees to perform the trust, then, if he by deed declares that he is desirous of being discharged from the trust and if his co-trustees and such other person, if any, as is empowered to appoint trustees of the trust consent by deed to his discharge and to the vesting of the trust property in the co-trustees alone, he is deemed to have retired from the trust, and is, by the deed, discharged from it without any new trustee being appointed in his place[4].

1 See the Trustee Act 1925 s 39 (as amended); and the text and notes 3–4 infra. As to retirement at the instance of the beneficiaries see para 897 post.
2 — *v Osborne* (1801) 6 Ves 455; *Wilkinson v Parry* (1828) 4 Russ 272 at 276; *Adams v Paynter* (1844) 1 Coll 530 at 534; *Courtenay v Courtenay* (1846) 3 Jo & Lat 519 at 533; *Forshaw v Higginson* (1855) 20 Beav 485 at 487. If a trustee of a trust fund pays it into court, he thereby so far retires from the trust that a new trustee can be appointed in his place under a power to appoint a new trustee in the place of one refusing or declining to act: *Re Williams' Settlement* (1858) 4 K & J 87. If a new trustee has not been effectually appointed, the retiring trustee remains liable: *Pearce v Pearce* (1856) 22 Beav 248. As to power in a trust disposition to appoint a trustee in the place of one who desires to be discharged see para 823 ante; and as to such power under the Trustee Act 1925 s 36 (as amended) see para 836 ante.
3 For the meaning of 'trust corporation' see para 798 ante.
4 See the Trustee Act 1925 s 39(1) (amended with savings for transactions taking effect on or after 1 January 1997 by the Trusts of Land and Appointment of Trustees Act 1996 s 25(1), Sch 3 para 3(13)). A purported retirement is invalid and the retiring trustee is not discharged where he leaves a sole trustee, not being a trust corporation, to act as trustee following his retirement: *Adam & Co International Trustees Ltd v Theodore Goddard (a firm)* [2000] WTLR 349, 2 ITELR 634. Previously, the statute referred to 'individuals' not 'persons': see *Jasmine Trustees Ltd v Wells and Hind* [2007] EWHC 38 (Ch), [2007] 1 All ER 1142; and para 840 note 3 ante. Any assurance or thing requisite for vesting the trust property in the continuing trustees alone must be executed or done: see the Trustee Act 1925 s 39(2). These powers apply if and so far only as a contrary intention is not expressed by the instrument, if any, creating the trust: see s 69(2); and para 603 ante.

As to the retirement of a trustee where the Public Trustee or other trust corporation is or becomes a trustee see para 770 ante.

The trustees of a trade union and an unincorporated employers' association may retire more informally: see the Trade Union and Labour Relations (Consolidation) Act 1992 ss 13, 129(1)(b); and TRADE, INDUSTRY AND INDUSTRIAL RELATIONS vol 47 (2001 Reissue) paras 1030, 1208.

As to the position where a trustee is a patient under the Mental Health Act 1983 see s 96(1)(k) (prospectively repealed); and as to the position where a patient lacks capacity to make a decision in relation to retirement as a trustee under the Mental Capacity Act 2005 see s 16. See also MENTAL HEALTH vol 30(2) (Reissue) para 757.

892. Costs, rights and duties of retiring trustee. Where a trustee is justified in retiring, he is not liable to pay any costs occasioned by his retirement, but whether he is entitled to his own costs in the matter depends on the circumstances of the case[1]. A trustee on retiring, and the representative of a deceased trustee on transferring the trust property to a new trustee, has a right to an examined copy of the deed appointing the new trustee, but not to a duplicate of it or to an attested copy of the instrument creating the trust[2].

A retiring trustee can be required to produce to his successor documents relating to the administration of the trust[3].

1 *A-G v Murdoch* (1856) 2 K & J 571 at 573 per Wood V-C. As to the general rule that a trustee is not to be deprived of his costs of proceedings unless he has acted for a benefit other than that of the trust fund see para 907 post.
2 *Warter v Anderson* (1853) 11 Hare 301. As to the right of a trustee to a release see para 925 post.
3 *Tiger v Barclays Bank Ltd* [1952] 1 All ER 85, CA. A corporate trustee may be required to produce internal memoranda and correspondence passing between its various officials and departments: *Tiger v Barclays Bank Ltd* supra.

893. Corrupt retirement. Where a trustee retires in favour of another person in consideration of a sum of money paid to him by that person, the court will declare the deed containing the appointment of that person as trustee to be void, so that the trust and the trust property will remain in the trustees in whom they were vested before it was executed[1]. The purportedly retiring trustee will be liable to account to the beneficiaries for the amount of the bribe he received[2] and may well be treated as a constructive trustee of it for them[3].

1 *Sugden v Crossland* (1856) 3 Sm & G 192.
2 Cf *Lister & Co v Stubbs* (1890) 45 ChD 1, CA; and see para 697 ante.
3 *A-G for Hong Kong v Reid* [1994] 1 AC 324, [1994] 1 All ER 1, PC; and see para 697 ante.

894. Retirement in contemplation of breach of trust. A trustee who retires in favour of a new trustee, with the knowledge or suspicion that a breach of trust is intended to be committed after his retirement, is liable for any loss occasioned by the breach of trust[1]. If one of two trustees who feels no confidence in his co-trustee retires in favour of a new trustee appointed by that co-trustee, he renders himself liable to grave risk in the event of any subsequent misconduct on the part of the continuing trustee and the new trustee[2].

1 *Webster v Le Hunt, Le Hunt v Webster* (1861) 9 WR 918; *Palairet v Carew* (1863) 32 Beav 564 at 567–568 per Romilly MR; *Clark v Hoskins* (1868) 37 LJ Ch 561 at 566, CA; *Head v Gould* [1898] 2 Ch 250. He will not, however, be liable for an entirely different breach of trust from that which was contemplated when he retired: *Clark v Hoskins* supra at 567. As to liability for acts of co-trustees see para 952 post.
2 *Forshaw v Higginson* (1855) 20 Beav 485 at 487 per Romilly MR.

895. Effect of retirement. The retirement of a trustee does not terminate his liabilities as a shareholder, or in any other capacity in which he has incurred liability to third persons, until he has taken the proper steps for getting rid of those liabilities by transferring the shares out of his name or otherwise[1].

1 *Re City of Glasgow Bank, Mitchell's Case* (1879) 4 App Cas 547 at 567, 572, 576, HL.

896. Resumption of trust. A trustee who has validly retired from the trust cannot after the lapse of several years resume his position as trustee without being formally reappointed, notwithstanding that the appointment of his successor was not formally effected[1].

1 *Lancashire v Lancashire* (1848) 2 Ph 657.

897. Retirement under the Trusts of Land and Appointment of Trustees Act 1996. Where there is no person nominated for the purpose of appointing new trustees by the instrument, if any, creating the trust, and the beneficiaries[1] under the trust are of full age and capacity and, taken together, are absolutely entitled to the property subject to the trust, they may give a written direction to a trustee or trustees to retire from the trust[2].

Where:

(1) a trustee has been given such a direction[3];
(2) reasonable arrangements have been made for the protection of any rights of his in connection with the trust[4];
(3) after he has retired there will be either a trust corporation or at least two persons to act as trustees to perform the trust[5]; and
(4) either another person is to be appointed to be a new trustee on his retirement[6] or the continuing trustees by deed consent to his retirement[7],

he must make a deed declaring his retirement and is deemed to have retired and be discharged from the trust[8].

Where a trustee retires under these provisions[9], he and the continuing trustees together with any new trustee must, subject to any arrangement for the protection of his rights, do anything necessary to vest the trust property in the continuing trustees, or the continuing and new trustees[10].

1 For the meaning of 'beneficiary' see para 739 note 1 ante.
2 See the Trusts of Land and Appointment of Trustees Act 1996 s 19(1), (2)(a). They may also give a written direction to the trustees or trustee for the time being to appoint the person or persons specified in the direction to be a trustee or trustees: see s 19(2)(b); and para 845 ante.

For these purposes, a direction is given by beneficiaries if a single direction is jointly given by all of them or a direction is given by each of them (whether solely or jointly with one or more, but not all, of the others), and none of them by writing withdraws the direction given by him before it has been complied with: s 21(1). Where more than one direction is given each must specify for retirement the same person or persons: s 21(2).

The provisions of s 19 do not apply in relation to a trust created by a disposition in so far as provision that they do not apply is made by the disposition (s 21(5)); nor do they apply in relation to a trust created before 1 January 1997 by a disposition in so far as provision to the effect that they do not apply is made by a deed executed by the person or persons who created the trust (see s 21(6), (7), (8); and para 847 ante). As to trusts in relation to which beneficiaries cannot make a direction see further para 847 ante.
3 Ibid s 19(3)(a).
4 Ibid s 19(3)(b).
5 Ibid s 19(3)(c).
6 Ie whether in compliance with a direction under ibid s 19(2)(b) (see note 2 supra; and para 845 ante) or otherwise.
7 Ibid s 19(3)(d).
8 Ibid s 19(3).
9 Ie ibid s 19(3).
10 Ibid s 19(4).

(ii) Removal

898. Removal by appointment of new trustee. A trustee can be removed from the trust by the appointment of a new trustee in his place in any circumstances in which the power, if any, in the instrument creating the trust[1], or the statutory powers[2], authorise such an appointment.

1 As to the appointment of new trustees under the power in the trust disposition see para 819 et seq ante.
2 See the Trustee Act 1925 s 36 (as amended); and para 835 et seq ante. See also the Trusts of Land and Appointment of Trustees Act s 20 (as amended); and paras 846 et seq ante, 899 post. As to the removal of trustees of charitable trusts see CHARITIES; and as to the removal of trustees of friendly societies see FRIENDLY SOCIETIES vol 19(1) (Reissue) para 210.

899. Removal by direction of the beneficiaries. A trustee can be removed from the trust by direction of the beneficiaries in the limited circumstances prescribed by statute, either by the appointment of a new trustee in his place[1] or without replacement[2].

1 See the Trusts of Land and Appointment of Trustees Act 1996 s 20 (as amended; prospectively amended); and para 846 et seq ante.
2 See ibid s 19; and para 897 ante.

900. Removal by the court. The court[1] will remove a trustee, including the trustee of a foreign settlement[2], where he refuses to execute the trust[3], or has mismanaged the trust[4] or has disqualified himself by his circumstances or conduct from continuing to hold the office[5], and may perhaps do so if his continuance in office would be likely to be detrimental to the trust owing to his being out of sympathy with its objects[6] or with the beneficiaries[7]. A trustee will not, however, be removed against his will on account of a pecuniary embarrassment which has ceased to exist and which does not appear to have imperilled the interests of the beneficiaries[8]. When a trustee is removed, he is usually ordered to pay the costs of his removal[9].

1 In the High Court the proper division to which to apply to remove trustees is the Chancery Division: see para 632 ante. What is now the Family Division has declined to order the removal of a trustee on an application for a variation of a post-nuptial settlement under what is now the Matrimonial Causes Act 1973 s 24 (prospectively substituted) (see MATRIMONIAL LAW): *Compton (Marquess of Northampton) v Compton (Marchioness of Northampton) and Hussey* [1960] P 201 at 211, [1960] 2 All ER 70 at 76. See para 667 note 7 ante. The removal of a trustee can often involve a serious reflection on character: *Compton (Marquess of Northampton) v Compton (Marchioness of Northampton) and Hussey* supra at 211 and 76. As to the courts which have jurisdiction in relation to trusts see para 632 et seq ante.
2 *Chellaram v Chellaram* [1985] Ch 409, [1985] 1 All ER 1043.
3 *Palairet v Carew* (1863) 32 Beav 564; *Luke v South Kensington Hotel Co* (1879) 11 ChD 121 at 127, CA, per Jessell MR.
4 *Ex p Phelps* (1742) 9 Mod Rep 357; *Ex p Reynolds* (1800) 5 Ves 707; *Peatfield v Benn* (1853) 17 Beav 522.
5 *Millard v Eyre* (1793) 2 Ves 94; *Re Ledwich* (1844) 6 I Eq R 561; *Passingham v Sherborn* (1846) 9 Beav 424 at 427 et seq; *Charitable Donations Comrs v Archbold* (1847) 11 I Eq R 187; *O'Reilly v Alderson* (1849) 8 Hare 101; *A-G v Murdoch* (1852) 1 De GM & G 86 (on further directions (1856) 2 K & J 571); *Moore v M'Glynn* [1894] 1 IR 74; *Clarke v Heathfield (No 2)* [1985] ICR 606. The court, on application, has removed a trustee who has committed a criminal offence (*Re Danson* (1899) 48 WR 73), or a trustee who has become bankrupt, where in administering the trust he has to receive or deal with trust money so that he has the opportunity of misappropriating it (*Re Barker's Trusts* (1875) 1 ChD 43; *Re Adams' Trust* (1879) 12 ChD 634), or where, besides the bankruptcy, he has acted in a manner prejudicial to the trust (*Re Betts, Maclean v Betts* (1897) 41 Sol Jo 209; affd by the Court of Appeal (unreported, but cited in *Re Danson* supra)). The court may remove a trustee who made an improper threat to deprive the claimants of their interest in the trust property: *Rubin v Rubin* [2001] All ER (D) 59 (Nov). Friction or hostility between a trustee and the person who has the present beneficial interest in the trust property is not of itself a reason for the removal of the trustee, but it is taken into account, where it is grounded on the mode in which the trust has been administered, or where it has arisen wholly or partially out of substantial overcharges by the trustee against the trust property: *Letterstedt v Broers* (1884) 9 App Cas 371 at 389, PC. For a discussion of the general principles guiding the court in the exercise of its inherent jurisdiction to remove trustees see *Isaac v Isaac* [2005] EWHC 435 (Ch) at [65]–[72], [2005] All ER (D) 379 (Mar) at [65]–[72] per Parkes J. Conflict of interest is not necessarily grounds for removal of a trustee: *Isaac v Isaac* supra. The fact that the person appointed has acted as solicitor to the trustee making the appointment is not a sufficient ground for the removal of the appointee by the court: *Re Cotter, Jennings v Nye* [1915] 1 Ch 307. As to the power to remove a trustee against his will see also para 901 post.
6 *A-G v Hardy* (1851) 1 Sim NS 338 at 357 per Lord Cranworth V-C. See, however, *A-G v Clapham* (1855) 4 De GM & G 591 at 632 per Lord Cranworth LC; *Letterstedt v Broers* (1884) 9 App Cas 371 at 386–387, PC.
7 *A-G v Hardy* (1851) 1 Sim NS 338 at 357 per Lord Cranworth V-C. See, however, *A-G v Clapham* (1855) 4 De GM & G 591 at 632 per Lord Cranworth V-C; *Letterstedt v Broers* (1884) 9 App Cas 371 at 386–387, PC.
8 *Re Bridgman* (1860) 8 WR 598; *Assets Realisation Co v Trustees, Executors and Securities Insurance Corpn* (1895) 65 LJ Ch 74.
9 *A-G v Murdoch* (1856) 2 K & J 571 at 573 per Wood V-C; *Palairet v Carew* (1863) 32 Beav 564.

901. Procedure for removal of trustee against his will. Where there is no dispute of fact, the court[1], in exercise of its statutory power to appoint new trustees[2], may order the removal of a trustee against his will in a claim made under the Part 8 procedure[3]. Where there is a dispute of fact, the proper course is to invoke the court's inherent jurisdiction over trustees in a claim for the administration or execution of the trusts made under the standard procedure[4].

1 See para 900 note 1 ante.
2 See para 849 et seq ante.
3 See *Re Henderson, Henderson v Henderson* [1940] Ch 764, [1940] 3 All ER 295; *Re A Solicitor* [1952] Ch 328, [1952] 1 All ER 133 (bankrupt solicitor removed from the trusteeship of the clients' account). As to the Part 8 procedure see CPR Pt 8; and PRACTICE AND PROCEDURE vol 37 (Reissue) para 1351 et seq. In proceedings under the Trustee Act 1925, the court cannot inquire as to the alleged incapacity of a trustee by reason of mental incapacity where it is denied by him: *Re Combs* (1884) 51 LT 45.
4 See *Re Chetwynd's Settlement, Scarisbrick v Nevinson* [1902] 1 Ch 692; *Re Henderson, Henderson v Henderson* [1940] Ch 764 at 767, [1940] 3 All ER 295 at 298. See also *Re Wrightson, Wrightson v Cooke* [1908] 1 Ch 789. As to the standard procedure see CPR Pt 7; and PRACTICE AND PROCEDURE vol 37 (Reissue) para 301 et seq.

(5) RIGHTS OF TRUSTEES

(i) Reimbursement and Indemnity

A. IN GENERAL

902. Reimbursement and indemnity under the Trustee Act 2000 in respect of expenses and liabilities. A trustee is entitled to be reimbursed from the trust funds[1], or may pay out of the trust funds, expenses properly[2] incurred by him when acting on behalf of the trust[3]. This provision applies to a trustee who has been duly authorised[4] to exercise functions as an agent of the trustees or to act as a nominee or custodian, as it applies to any other trustee[5]. Further, at least where there is a simple trust, the beneficiary or beneficiaries are under an obligation to indemnify the trustees[6].

1 'Trust funds' means income or capital funds of the trust: Trustee Act 2000 s 39(1).
2 The corresponding provision in the Trustee Act 1925 (i e s 30(2) (repealed) did not contain the word 'properly' but this was in effect implied by the courts, and the case law accordingly remains relevant: see *Leedham v Chawner* (1858) 4 K & J 458; *Re Grimthorpe* [1958] Ch 615 at 623, [1958] 1 All ER 765 at 769; *Holding and Management Ltd v Property Holding and Investment Trust plc* [1990] 1 All ER 938, [1989] 1 WLR 1313, CA. A trustee is not allowed expenses which he has incurred unnecessarily (*Malcolm v O'Callaghan* (1837) 3 My & Cr 52 at 62, CA) or improperly (*Leedham v Chawner* supra; *Hosegood v Pedler* (1896) 66 LJQB 18).
3 Trustee Act 2000 s 31(1). This provision applies in relation to services provided to or on behalf of, or expenses incurred (on or after its commencement (i e 1 February 2001)) on behalf of, trusts whenever created: s 33(1). It seems that the phrase 'on or after its commencement' applies only to expenses. This provision does not apply to the Law Society (and presumably other similar bodies) exercising statutory public functions under statutory not private law trusts: *Re Ahmed & Co (a firm)* [2006] EWHC 480 (Ch), [2006] NLJR 512, [2006] All ER (D) 195 (Mar). However, a right to reimbursement of expenses and costs properly incurred may be implied: *Ahmed & Co (a firm)* supra at [145] per Lawrence Collins J. As to trusts imposed by statute in the context of a public function see para 624 note 1 ante.
4 Ie under a power conferred by the Trustee Act 2000 Pt IV (ss 11–27) or any other enactment or any provision of subordinate legislation or by the trust instrument: s 31(2).
5 Ibid s 31(2). For the meaning of 'custodian' see para 991 note 4 post.
6 See *Balsh v Hyham* (1728) 2 P Wms 453 at 455; *Re German Mining Co, ex p Chippendale* (1853) 4 De GM & G 19 at 54 et seq per Turner LJ; *James v May* (1873) LR 6 HL 328; *Jervis v Wolferstan* (1874) LR 18 Eq 18 at 24 per Jessel MR; *Fraser v Murdoch* (1881) 6 App Cas 855 at 872, HL, per Lord Blackburn; *Hobbs v Wayet* (1887) 36 ChD 256; *Hardoon v Belilios* [1901] AC 118, PC; *Hurst v Bryk* [2002] 1 AC 185, [2000] 2 All ER 193, HL. The right may subsist after the beneficiary has alienated his beneficial interest: *Matthews v Ruggles-Brise* [1911] 1 Ch 194.

903. Remuneration of an agent, nominee or custodian under the Trustee Act 2000. Where a person other than a trustee has been authorised to exercise functions[1] as an agent of the trustees or appointed to act as a nominee or custodian[2], the trustees may remunerate the agent, nominee or custodian out of the trust funds[3] for services if: (1) he is engaged on terms entitling him to be remunerated for those services; and (2) the amount does not exceed such remuneration as is reasonable in the circumstances for the provision of those services by him to or on behalf of that trust[4].

The trustees may likewise reimburse the agent, nominee or custodian out of the trust funds for any expenses properly incurred by him in exercising functions as an agent, nominee or custodian[5].

1 'Functions' includes powers and duties: Trustee Act 2000 s 39(1).

2 Ie under a power conferred by ibid Pt IV (ss 11–27) (see para 988 et seq post) or any other enactment or any provision of subordinate legislation, or by the trust instrument. 'Enactment' includes any provision of a measure of the Church Assembly or of the General Synod of the Church of England: s 39(1). 'Subordinate legislation' means Orders in Council, orders, rules, regulations, schemes, warrants, byelaws and other instruments made or to be made under any Act: Interpretation Act 1978 s 21(1); definition applied by the Trustee Act 2000 ss 6(3), 39(2). For the meaning of 'custodian' see para 991 note 4 post.

3 For the meaning of 'trust funds' see para 902 note 1 ante.

4 See the Trustee Act 2000 s 32(1), (2). Section 32 applies in relation to services provided to or on behalf of, or expenses incurred (on or after its commencement (ie 1 February 2001)) on behalf of, trusts whenever created: s 33(1). It seems that the phrase 'on or after its commencement' applies only to expenses.

5 Ibid s 32(3).

904. Indemnity under the Trustee Act 1925 in respect of liabilities. The Trustee Act 2000 does not give trustees indemnity from liability for the acts of an agent appointed prior to its commencement in relation to property abroad[1]. In relation to such agents the protection formerly afforded by the Trustee Act 1925 whereby trustees must not by reason only of their having made such appointment be responsible for any loss arising thereby, may still continue[2].

1 General agents appointed prior to the commencement of the Trustee Act 2000 (ie 1 February 2001) are treated as if appointed under that Act (see para 998 post), but agents appointed in relation to property abroad are not (see para 999 post).

2 See the Trustee Act 1925 s 23(2) (repealed, except in relation to the operation of an appointment made under s 23 before 1 February 2001, by the Trustee Act 2000 s 40(2), Sch 3 para 6). See para 999 post.

905. Money expended in preserving trust property. A trustee has a right to an equitable lien on the trust property and to an indemnity from it for money expended by him in its preservation[1]; and a person who at his request advances money for its preservation obtains a similar right by subrogation[2]. Thus, if a trustee has no trust funds for paying the premiums on a trust policy and applies his own money for keeping up the policy, he has a lien on the policy for the amount advanced by him for the purpose of keeping it on foot[3]. If, however, the beneficiaries supply funds or if the trustee, by duly performing his trust, ought to be in possession of funds applicable to that purpose, he acquires no lien on the policy and cannot confer one on another[4].

1 *Clack v Holland* (1854) 19 Beav 262 at 273, 276–277 per Romilly MR; *Re Leslie, Leslie v French* (1883) 23 ChD 552 at 560; *Re Earl of Winchilsea's Policy Trusts* (1888) 39 ChD 168; *Re Jewell's Settlement, Watts v Public Trustee* [1919] 2 Ch 161. See *Re Regent's Canal Ironworks Co, ex p Grissell* (1875) 3 ChD 411, CA; *Foskett v McKeown* [2001] 1 AC 102, [2000] 3 All ER 97, HL.

2 *Clack v Holland* (1854) 19 Beav 262 at 277; *Todd v Moorhouse* (1874) LR 19 Eq 69; *Re Leslie, Leslie v French* (1883) 23 ChD 552 at 560. See LIEN vol 28 (Reissue) para 769 et seq.

3 *Clack v Holland* (1854) 19 Beav 262 at 273, 276; *Foskett v McKeown* [2001] 1 AC 102, [2000] 3 All ER 97, HL.

4 *Clack v Holland* (1854) 19 Beav 262 at 276–277. See also INSURANCE vol 25 (2003 Reissue) para 560.

906. Costs incurred in reference to appointment. A trustee is entitled to be reimbursed out of the trust estate the costs which he has incurred before his appointment in obtaining a statement of the trust property and ascertaining that he is being duly appointed and the costs incidental to the appointment, and also the costs of former trustees paid by him to their representatives on obtaining a transfer of the trust property to himself[1].

1 *Harvey v Olliver* [1887] WN 149.

B. COSTS OF LITIGATION

907. Limitations on the power of the court to award costs in favour of trustee. In general[1], costs of and incidental to all proceedings in the Civil Division of the Court of Appeal, the High Court and any county court, including the administration of estates and trusts, are in the discretion of the court[2]. Where, however, a person is or has been a party to any proceedings in the capacity of a trustee[3], the general rule[4] is that he is entitled to be paid the costs of those proceedings out of the relevant trust fund[5] provided they are properly incurred[6]. Where he is so entitled, those costs will be assessed on the indemnity basis[7]. Whether costs were properly incurred depends on all the circumstances of the case, and may, for example, depend on: (1) whether the trustee obtained directions from the court before bringing or defending the proceedings[8]; (2) whether the trustee acted in the interests of the fund or in substance for a benefit other than that of the estate, including his own[9]; and (3) whether the trustee acted in some way unreasonably in bringing or defending, or in the conduct of, the proceedings[10].

1 Ie subject to the provisions of the Supreme Court Act 1981 or any other enactment and to rules of court. As from a day to be appointed, the Supreme Court Act 1981 is renamed the Senior Courts Act 1981 by the Constitutional Reform Act 2005 s 59(5), Sch 11 para 1(1) (not yet in force): see para 632 note 1 ante; and COURTS. At the date at which this volume states the law no such day had been appointed.

2 See the Supreme Court Act 1981 s 51(1), (4) (as substituted); and ADMINISTRATIVE LAW. As to the renaming of the Supreme Court Act 1981 see note 1 supra.

3 CPR 48.4(1)(a).

4 The general rule only applies in so far as the costs are not recovered from or paid by any other person: CPR 48.4(2).

5 CPR 48.4(2). The entitlement to an indemnity out of the trust fund may include costs awarded against the trustee in favour of another party: see *Practice Direction—General Rules about Costs* PD 43–48 para 50A.1; and COSTS vol 10 (Reissue) para 204.

6 The court will not allow costs which have been unreasonably incurred or are unreasonable in amount: CPR 44.4(1). Any doubt as to whether costs were reasonably incurred or were reasonable in amount are resolved in favour of the receiving party: CPR 44.4(3).

7 CPR 48.4(3). CPR 48.4 does not apply where the case falls within CPR 48.3 (costs payable pursuant to a contract): CPR 48.4(1)(b). As to the indemnity basis see further COSTS vol 10 (Reissue) para 22.

8 See *Practice Direction—General Rules about Costs* PD 43–48 para 50A.2(1); and COSTS vol 10 (Reissue) para 204. Trustees may seek directions before the issue of proceedings by way of a 'Beddoe' application: see *Re Beddoe, Downes v Cottam* [1893] 1 Ch 547, CA; and see para 908 note 6 post. Where trustees are already parties the court may make an order deciding the incidence of costs in advance of the trial: *Westdock Realisations Ltd* [1988] BCLC 354, 4 BCC 192. As to the need to exercise caution in applying pre-CPR authorities see para 908 post; and see COSTS vol 10 (Reissue) para 8. See also *Practice Note (trust proceedings: prospective costs orders)* [2001] 3 All ER 574.

9 See *Practice Direction—General Rules about Costs* PD 43–48 para 50A.2(2); and COSTS vol 10 (Reissue) para 204. The trustee is not to be taken to have acted in substance for a benefit other than that of the fund by reason only that he has defended a claim in which relief is sought against him personally: *Practice Direction—General Rules about Costs* PD 43–48 para 50A.3. As to a trustee acting for a benefit other than that of the trust fund see *Holding and Management Ltd v Property Holding and Investment Trust plc* [1988] 2 All ER 702, [1988] 1 WLR 644; affd [1990] 1 All ER 938, [1989] 1 WLR 1313, CA. As to the test applied on taxing trustee's counsel's fees see *Re Whitley, Lloyds Bank Ltd v Whitley* [1962] 3 All ER 45, [1962] 1 WLR 922. See also *Re Grimthorpe* [1958] Ch 615, [1958] 1 All ER 765; *Re Harrison's Settlement*

Trusts, Morris v Harrison-Sleap [1965] 3 All ER 795, [1965] 1 WLR 1492; *Re Gibson's Settlement Trusts, Mellors v Gibson* [1981] Ch 179, [1981] 1 All ER 233 (allowance of costs before summons issued).

10 See *Practice Direction—General Rules about Costs* PD 43–48 para 50A.2(3); and COSTS vol 10 (Reissue) para 204.

908. Case law relating to the entitlement of trustee to costs of proceedings. There exists a large body of case law on the subject of a trustee's entitlement to the costs of legal proceedings which pre-dates the introduction of the Civil Procedure Rules ('CPR') and must therefore be treated with caution[1].

The general principle[2] is that a trustee is entitled to be paid out of the trust property his full costs of legal proceedings which he has properly instituted or defended on behalf of the trust[3].

An exception to the general principle has been held to exist where the proceedings result in the whole of the property being held to belong to third persons, as in the case where a voluntary settlement is avoided by the settlor's bankruptcy or on any other account, or where the instrument of trust is avoided by prior adverse interests; in such a case the trustee's costs have been held to be in the discretion of the court[4]. Where the dispute is between rival claimants to a beneficial interest in the subject matter of the trust, the duty of the trustee is to remain neutral and offer to submit to the court's direction[5].

If in any doubt whether or not to institute or defend proceedings, trustees should apply to the court for directions since, if they are given permission to sue or defend, they will be entitled to their costs in any event[6]. The application should be made in separate proceedings and not by an application in subsisting proceedings[7]. On such an application the court is acting in an essentially administrative capacity: the proposed defendants are not entitled to be heard on the application or to be furnished with the evidence on which the court is asked to act[8]. If, however, trustees go ahead without the permission of the court, they do so at their own risk as to costs; and, if they fail, they will not receive their costs unless they establish that the costs were properly incurred[9]. Even if they have been advised by counsel that they have a good case, the trustees will not receive their costs unless the court is satisfied that it would have authorised the claim or defence, as the case may be, had an appropriate application been made[10].

The court will not make a pre-emptive interim order for costs in what is essentially hostile litigation where the very existence of the trustee/beneficiary relationship is in issue, unless there are special circumstances present[11]. It may do so, however, in the case of a pension fund where a pension fund member alleges injury to the fund as a whole and seeks restitution on behalf of the fund. A pension fund is a special form of trust where, unlike an ordinary trust beneficiary, a pension fund member has given consideration for his interest. The relationship between the members is a commercial one and the pension fund members are entitled to be satisfied that the fund is being properly administered[12].

1 Most of the procedural cases decided under the Rules of the Supreme Court or the County Court Rules will not be applied and are, at most, only persuasive in interpreting and giving effect to the provisions contained in the CPR: see COSTS vol 10 (Reissue) para 8.

2 The principle has been said to arise out of an implied term of the contract between a trustee and the author of the trust that the trustee should be indemnified in respect of all his costs and expenses properly incurred in the execution of the trust: *Cotterell v Stratton* (1872) 8 Ch App 295 at 302; *Turner v Hancock* (1882) 20 ChD 303, CA; *Easton v Landor* (1892) 2 R 176 at 177, CA; *Re Grimthorpe* [1958] Ch 615 at 623, [1958] 1 All ER 765 at 769; *Re Spurling's Will Trusts, Philpot v Philpot* [1966] 1 All ER 745, [1966] 1 WLR 920. However, in *Re Duke of Norfolk's Settlement Trusts, Earl of Perth v Fitzalan-Howard* [1982] Ch 61, [1981] 3 All ER 220, CA, the court rejected any contractual basis for the remuneration of trustees under a charging clause in the trust instrument. Similarly, it seems better to treat the right to reimbursement as an equitable right rather than a contractual right.

3 *Fearns v Young* (1804) 10 Ves 184; *Jenour v Jenour* (1805) 10 Ves 562; *Dunkin v Ward* (1837) 1 Jur 735; *York v Brown* (1844) 1 Coll 260; *Stephens v Lord Newborough* (1848) 11 Beav 403; *Lord Muskerry v Skeffington* (1868) LR 3 HL 144; *Courtney v Rumley* (1871) IR 6 Eq 99; *Re Chennell, Jones v Chennell* (1878) 8 ChD 492, CA; *Re Love, Hill v Spurgeon* (1885) 29 ChD 348, CA; *Budgett v Budgett* [1895] 1 Ch 202; *Merry v Pownall* [1898] 1 Ch 306; *Re Robertson, Public Trustee v Robertson* [1949] 1 All ER 1042; *Re Harrison's Settlement Trusts, Morris v Harrison-Sleap* [1965] 3 All ER 795, [1965] 1 WLR 1492; *Re Spurling's Will Trusts, Philpot v Philpot* [1966] 1 All ER 745, [1966] 1 WLR 920. See, however, *Hearn v Wells* (1844) 1 Coll 323. See also *Re Dargie, Miller v Thornton-Jones* [1954] Ch 16, [1953] 2 All ER 557; and para 910 note 6 post. If there is a doubt whether the costs have been properly incurred, the trustee is entitled to the benefit of it: *Easton v Landor* (1892) 2 R 176 at 177, CA, per Lindley LJ. A trustee accepting the office from a defaulting trustee pending a suit for the defaulter's removal has been deprived of his costs: *Peatfield v Benn* (1853) 17 Beav 522. A trustee's right to costs is not affected by the absence of a co-trustee: *Storer v Storer* (1894) 71 LT 704. The fact that a trustee has security for his costs may be a reason for postponing the appointment of new trustees until the question of costs has been settled: *Re Pauling's Settlement Trusts (No 2), Younghusband v Coutts & Co* [1963] Ch 576, [1963] 1 All ER 857.

4 *Mohun v Mohun* (1818) 1 Swan 201; *Edenborough v Archbishop of Canterbury* (1826) 2 Russ 93 at 112 per Lord Eldon LC; *Townsend v Westacott* (1841) 4 Beav 58; *Hearn v Wells* (1844) 1 Coll 323; *Elsey v Lutyens* (1850) 8 Hare 159 at 165; *Heap v Tonge* (1851) 9 Hare 90 at 105; *Everitt v Everitt* (1870) LR 10 Eq 405; *Mackay v Douglas* (1872) LR 14 Eq 106 at 123; *Re Butterworth, ex p Russell* (1882) 19 ChD 588, CA; *Dutton v Thompson* (1883) 23 ChD 278, CA; *James v Couchman* (1885) 29 ChD 212; *Re Holden, ex p Official Receiver* (1887) 20 QBD 43; *Ideal Bedding Co Ltd v Holland* [1907] 2 Ch 157 at 174 et seq; *Bullock v Lloyds Bank Ltd* [1955] Ch 317, [1954] 3 All ER 726 (where a settlement made by an unmarried woman shortly after coming of age was set aside on the grounds of undue influence and lack of independent advice, and the court held that, although the defendant bank trustee had no contractual right to its costs, nevertheless it ought to have its full taxed costs and expenses in exactly the same way as though there were an unexceptional trust); *Re Berkeley Applegate (Investment Consultants) Ltd* [1989] Ch 32, [1988] 3 All ER 71; *Alsop Wilkinson (a firm) v Neary* [1995] 1 All ER 431, [1996] 1 WLR 1220.

5 *Alsop Wilkinson (a firm) v Neary* [1995] 1 All ER 431, [1996] 1 WLR 1220. For an analysis and criticism of this decision see Sinel *'Trustees' Timidity'* (2005) TELTJ 25.

6 *Chettiar v Chettiar (No 2)* [1962] 2 All ER 238 at 245, [1962] 1 WLR 279 at 290, PC; *Re Dellaway* [1982] 3 All ER 118, [1982] 1 WLR 756; *McDonald v Horn* [1995] 1 All ER 961, CA. If the trustees do not apply to the court before bringing or defending proceedings, they will not be allowed the costs of the proceedings unless it was proper for them to bring or defend the proceedings as the case may be: *Re Beddoe, Downes v Cottam* [1893] 1 Ch 547; CA; *Dagnell v JL Freedman & Co (a firm)* [1993] 2 All ER 161, [1993] 1 WLR 388, HL. As to the right of trustees generally to apply to the court to determine their right course of action see paras 1057, 1070 post. As to the costs of beneficiaries see *Re Buckton, Buckton v Buckton* [1907] 2 Ch 406, 76 LJ Ch 584; *McDonald v Horn* [1995] 1 All ER 961, [1995] ICR 685, CA; *R v Lord Chancellor, ex p Child Poverty Action Group* [1998] 2 All ER 755, [1999] 1 WLR 347; *D'Abo v Paget (No 2)* [2000] All ER (D) 1110, (2000) Times, 10 August (a more robust attitude to costs is appropriate following the introduction of the CPR but the guidelines in *Re Buckton* supra have not been superseded); *Trustee Corporation Ltd v Nadir* [2000] All ER (D) 2249 (court refused to extend the pre-emptive costs jurisdiction to a hostile claim by one alleged beneficiary against another); *Chessels v British Telecommunications plc* [2001] All ER (D) 332 (Dec) (where beneficiaries make a hostile claim against other beneficiaries or trustees a pre-emptive costs order should only be made where no other order could properly be made by the court which is to hear the proceedings). See also *Practice Note (trust proceedings: prospective costs orders)* [2001] 3 All ER 574.

7 *Alsop Wilkinson (a firm) v Neary* [1995] 1 All ER 431, [1996] 1 WLR 1220.

8 *Re Moritz* [1960] Ch 251, [1959] 3 All ER 767; *Craig v Humberclyde Industrial Finance Group Ltd* [1999] 1 WLR 129, sub nom *Re Hinckley Island Hotel Ltd, Craig v Humberclyde Industrial Finance Group Ltd* [1998] 2 BCLC 526, CA.

9 *Singh v Bhasin* (1998) Times, 21 August.

10 *Singh v Bhasin* (1998) Times, 21 August.

11 *National Anti-Vivisection Society Ltd v Duddington* (1989) Times, 23 November; *Re Biddencare Ltd* [1994] 2 BCLC 160; *Alsop Wilkinson (a firm) v Neary* [1995] 1 All ER 431, [1996] 1 WLR 1220.

12 *McDonald v Horn* [1995] 1 All ER 961, CA. See *Re Exchange Securities and Commodities Ltd (No 2)* [1987] 2 All ER 272, [1985] BCLC 392; *Re Charge Card Services Ltd* [1986] 3 All ER 289, [1986] BCLC 316; *Re Westdock Realisations Ltd* [1988] BCLC 354; *Alsop Wilkinson (a firm) v Neary* [1995] 1 All ER 431, [1996] 1 WLR 1220.

909. Costs of appearance by trustees on an appeal. Where there is an appeal, for example on a point of construction, in proceedings to determine the rights of beneficiaries under a trust, it seems that trustees will normally be allowed their costs of

appearing on the appeal by their own counsel[1]. Prima facie an administrator does not act unreasonably in appearing on an appeal for the purpose of supporting an order giving him liberty to carry out a transaction[2].

1 *Re Stuart, Johnson v Williams* [1940] 4 All ER 80, CA (where the appeal was dismissed with costs and the trustees obtained the difference between what used to be party and party costs and common fund costs out of the estate). In this case Clauson LJ appears to have thought that there might be some cases in which it would be unreasonable for the trustees to appear and that in such a case the court, in determining the liability of an unsuccessful appellant for costs, might have regard to the fact that he had notified the trustees that he would object to their being separately represented: *Re Stuart, Johnson v Williams* supra at 81–82. Cf *Catterson v Clark* (1906) 95 LT 42, CA, per Romer LJ, explaining dicta in *Carroll v Graham* [1905] 1 Ch 478, CA. For a case where trustees were disallowed costs see *Re Barry's Trusts, Barry v Smart* [1906] 2 Ch 358, CA. However, the more recent practice is to say that the trustees ought to appear in the Court of Appeal, because it is necessary for them to see that the order which relates to the administration of the estate is properly carried out, and it would be contrary to that practice to deprive trustees of their costs in the Court of Appeal: *Re Stuart, Johnson v Williams* supra at 82 per Luxmoore LJ. See *Re Londonderry's Settlement* [1965] Ch 918, [1964] 3 All ER 855, CA.

2 *Chettiar v Chettiar (No 2)* [1962] 2 All ER 238 at 245, [1962] 1 WLR 279 at 290, PC.

910. Liability of trustee for costs. A trustee will not be allowed to charge against the trust property the costs of unnecessary proceedings[1] or of elaborate proceedings where he might have obtained his object by a simpler and less expensive procedure[2]. Accordingly, where a trustee incurs or by his conduct occasions excessive or unnecessary costs in respect of the trust estate, he is deprived of his costs[3] and may be held personally liable to pay the costs of the proceedings so far as they are excessive or unnecessary[4]. Counsel's opinion does not always and necessarily justify a trustee in bringing or defending proceedings[5].

Where a trustee institutes or defends proceedings in order to have a point relating to his private interest decided at the expense of the trust estate, he will be ordered to pay the costs[6].

The costs of legal proceedings occasioned by the misconduct of a trustee are in the discretion of the court, which will generally order the trustee to pay them[7].

1 *Norris v Norris* (1785) 1 Cox Eq Cas 183; *Knight v Martin* (1829) 1 Russ & M 70; *Angier v Stannard* (1834) 3 My & K 566 at 572; *Campbell v Home* (1842) 1 Y & C Ch Cas 664 at 670; *Cockcroft v Sutcliffe* (1856) 2 Jur NS 323; *Horner v Wheelwright* (1857) 2 Jur NS 367; *Smith v Bolden* (1863) 33 Beav 262; *Re Cull's Trusts* (1875) LR 20 Eq 561; *Re England's Settlement Trusts, Dobb v England* [1918] 1 Ch 24. In a proper case, a trustee ought to join with the beneficiaries in instituting proceedings if requested to do so instead of being made a defendant to them: *Reade v Sparkes* (1827) 1 Mol 8. Trustees who appeared in proceedings between beneficiaries without having been served were not allowed their costs: *Bennett v Biddles* (1846) 10 Jur 534.

2 *Thomas v Walker (1*854) 18 Beav 521; *Wells v Malbon* (1862) 31 Beav 48. As to apportioning the costs of administration proceedings between two estates see *Re Allen, Wheeler v Foster* [1889] WN 132. As to the costs of trustees in connection with the payment out of court of funds paid in under administration proceedings see *Lowe v Moore* [1906] WN 142. As to the costs of administration proceedings generally see *Day v Croft* (1854) 19 Beav 518; *Re Mill's Estate, ex p Works and Public Buildings Comrs* (1886) 34 ChD 24 at 33, CA, per Cotton LJ. See also EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 436.

3 *Re Knight's Will* (1884) 26 ChD 82, CA. See also *Re Scowby, Scowby v Scowby* [1897] 1 Ch 741, CA.

4 *Campbell v Campbell* (1837) 2 My & Cr 25; *Wilson v Wilson* (1838) 2 Keen 249; *Burrows v Greenwood* (1840) 4 Y & C Ex 251 at 255; *Penfold v Bouch* (1844) 4 Hare 271; *Firmin v Pulham* (1848) 2 De G & Sm 99; *Price v Loaden* (1856) 21 Beav 508; *Eddowes v Eddowes* (1862) 30 Beav 603; *Patterson v Wooler* (1876) 2 ChD 586; *Re Cabburn, Gage v Rutland* (1882) 46 LT 848; *Re Chapman, Freeman v Parker* (1894) 72 LT 66, CA; *Re Holton's Settlement Trusts, Holton v Holton* (1918) 88 LJ Ch 444; *Bowen-Jones v Bowen-Jones* [1986] 3 All ER 163. See also *Re Holberton's Settlement Trusts, Thorburn v Hart* [1953] 2 All ER 506n, [1953] 1 WLR 1080 (where Danckwerts J overruled the taxing master in allowing a trustee costs relating to brief fees to leading and junior counsel, the briefs having been delivered when terms of compromise requiring the approval of the court had been provisionally agreed).

5 *Devey v Thornton* (1851) 9 Hare 222 at 232 per Turner V-C; *Stott v Milne* (1884) 25 ChD 710 at 714, CA, per Lord Selborne LC. See, however, para 948 note 4 post.

6 *Henley v Philips* (1740) 2 Atk 48; *Irwin v Rogers* (1848) 12 I Eq R 159. Where litigation is designed to define and secure the personal rights of the trustees as individuals, there is no rule that the trustees are entitled to their costs on an indemnity basis: *Re Dargie, Miller v Thornton-Jones* [1954] Ch 16 at 20–21, [1953] 2 All ER 577 at 580.

7 *Dawson v Parrot* (1791) 3 Bro CC 236; *Ankers v Sandford* (1840) 4 Jur 817; *Froste v Hamilton* (1842) 6 Jur 525; *Turquand v Knight* (1845) 14 Sim 643; *Wilson v Parker* (1846) 10 Jur 979; *Byrne v Norcott* (1851) 13 Beav 336 at 346 per Lord Langdale MR; *Marshall v Sladden* (1851) 4 De G & Sm 468; *A-G v Murdoch* (1856) 2 K & J 571; *Kendall v Marsters* (1860) 2 De GF & J 200; *Grierson v Astle* (1860) 3 LT 288; *Palairet v Carew* (1863) 32 Beav 564; *Birks v Micklethwaite* (1864) 34 LJ Ch 362; *Hemry v Macdonald* (1866) 15 WR 165; *Naylor v Smith* (1867) 15 WR 528; *Gough v Etty* (1869) 20 LT 358; *Griffin v Brady* (1869) 39 LJ Ch 136; *Easton v Landor* (1892) 2 R 176, CA; *Re Hodgkinson, Hodgkinson v Hodgkinson* [1895] 2 Ch 190, CA; *Re Knox's Trusts* [1895] 2 Ch 483, CA. As to the costs of administration claims see para 911 post; and as to the cost of proceedings rendered necessary by a breach of trust see para 1110 et seq post. Trustees are not relieved from liability to pay the costs of proceedings which their misconduct has occasioned by a direction in the trust instrument that, if a beneficiary institutes proceedings for the administration of the trust estate, the costs of all parties are to be paid out of his share: *Re Williams, Williams v Williams* [1912] 1 Ch 399.

911. Claim for account or administration. Where a beneficiary brings a claim against the trustee for an account or for the administration of the trust estate, the trustee bears his own costs if and so far as the claim has been occasioned by his neglect or default[1], and may be ordered to pay the costs of the beneficiary[2]. The trustee is, however, allowed his costs out of the trust estate, or the beneficiary's share of it, if his conduct has been honest and correct[3], even though it may have been mistaken[4]; and the beneficiary or his solicitor may be ordered to bear the costs of the claim personally if that claim has been commenced wrongfully or too hastily[5]. Where the claim was necessary independently of a breach of trust committed by the trustee, he is liable to pay the special costs attributable to the breach of trust, but may be allowed his general cost[6] of the claim after he has made good the loss occasioned by the breach[7].

Where a claim is brought for the determination of a question for the benefit of all concerned, the costs of all parties will normally come out of the estate, even though it may in form be adverse litigation[8]. Where the trustees were able and willing to bring a claim themselves, a claimant beneficiary has been refused costs even though the claim succeeded[9].

1 *Simpson v Bathurst, Shepherd v Bathurst* (1869) 5 Ch App 193 at 202 per Lord Hatherley LC; *Paynes v Evens* (1874) LR 18 Eq 356; *Re Page, Jones v Morgan* [1893] 1 Ch 304.

2 *Newton v Askew* (1848) 11 Beav 145 at 152 per Lord Langdale MR; *Springett v Dashwood* (1860) 2 Giff 521; *Eglin v Sanderson* (1862) 3 Giff 434; *Hilliard v Fulford* (1876) 4 ChD 389 at 394; *Re Hayter, Re Wallett, Hayter v Wells* (1883) 32 WR 26; *De Burgh v M'Clintock* (1883) 11 LR Ir 220; *Re Knox's Trusts* [1895] 2 Ch 483, CA; *Re Skinner, Cooper v Skinner* [1904] 1 Ch 289. A trustee may be ordered to pay the costs of taking an account if he has by indefensible conduct occasioned expense and delay in the taking of the account: *Re Holton's Settlement Trusts, Holton v Holton* (1918) 88 LJ Ch 444. As to accounts see EQUITY vol 16(2) (Reissue) para 449 et seq.

3 *Ottley v Gilby* (1845) 8 Beav 602; *Thompson v Clive* (1848) 11 Beav 475; *Re Andrews, Edwards v Dewar* (1885) 30 ChD 159.

4 *Whitmarsh v Robertson* (1842) 1 Y & C Ch Cas 715; *Smith v Cremer* (1875) 24 WR 51; *Bullock v Lloyds Bank Ltd* [1955] Ch 317, [1954] 3 All ER 726. Where a trustee is made a defendant to proceedings in which his conduct is impugned, he is entitled to the costs of briefing two counsel, even though the claimant claims no relief against him personally and professes to sue him only as trustee: *Bruty v Edmundson* [1918] 1 Ch 112, CA.

5 *Aylmer v Winterbottom* (1857) 4 Jur NS 19; *Fane v Fane* (1879) 13 ChD 228; *Re Andrews, Edwards v Dewar* (1885) 30 ChD 159; *Re Dartnall, Sawyer v Goddard* [1895] 1 Ch 474, CA. Cf EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 436.

6 *Pride v Fooks* (1840) 2 Beav 430; *Campbell v Bainbridge* (1868) LR 6 Eq 269 at 274 per Stuart V-C; *Bell v Turner* (1877) 47 LJ Ch 75. See also para 1113 post. As to apportioning the costs of a defaulting and insolvent trustee and a solvent trustee who appear together see *McEwan v Crombie* (1883) 25 ChD 175.

7 *Lewis v Trask* (1882) 21 ChD 862; *Re Basham, Hannay v Basham* (1883) 23 ChD 195; *Re Knott, Bax v Palmer* (1887) 56 LJ Ch 318.

8 *Re Buckton* [1907] 2 Ch 406.
9 *D'Abo v Paget (No 2)* [2000] All ER (D) 1110, (2000) Times, 10 August (where the sole reason that the claimant brought the proceedings was to make a claim for costs in the event that the first defendant lost). The guidelines in *Re Buckton* [1907] 2 Ch 406 still apply, but under the CPR the court will take a more robust attitude: *D'Abo v Paget (No 2)* supra.

912. Joinder of several trustees. Where there is more than one trustee, both or all ought to sue or defend jointly, and they are only allowed one set of costs[1], except where a severance is necessary or proper owing to one of them being a beneficiary[2], or being attacked hostilely[3], or for some other good reason[4].

1 *Nicholson v Falkiner* (1830) 1 Mol 555; *Holcombe v Jones* (1831) 1 LJ Ch 46; *Young v Scott* (1834) 1 Jo Ex Ir 71; *Gaunt v Taylor* (1840) 2 Beav 346; *Allen v Thorp* (1843) 7 Beav 72; *Cooke v Lord of Courtown* (1844) 6 I Eq R 266 at 279; *Farr v Sheriffe, Dykes v Farr* (1845) 4 Hare 512 at 528; *Wiles v Cooper* (1846) 9 Beav 294 at 298; *Hughes v Key* (1855) 20 Beav 395; *Hodson v Cash* (1855) 1 Jur NS 864; *Course v Humphrey* (1859) 26 Beav 402; *Prince v Hine (No 2)* (1859) 27 Beav 345; *A-G v Wyville* (1860) 28 Beav 464; *Gompertz v Kensit* (1872) LR 13 Eq 369 at 381 per Bacon V-C; *Hosegood v Pedler* (1896) 66 LJQB 18; *Re Isaac, Cronbach v Isaac* [1897] 1 Ch 251 at 255–256, CA. As to the position where one trustee is solvent and the other is insolvent and in default see *McEwan v Crombie* (1883) 25 ChD 175.
2 *Re Love, Hill v Spurgeon* (1885) 29 ChD 348, CA.
3 *Webb v Webb* (1847) 16 Sim 55; *Cummins v Bromfield* (1857) 3 Jur NS 657; *Re Maddock Butt v Wright* [1899] 2 Ch 588. In such a case he may appear by two counsel at the hearing: *Re Maddock, Butt v Wright* supra; *Bruty v Edmundson* [1918] 1 Ch 112, CA.
4 *Kampf v Jones* (1837) Coop Pr Cas 13; *Aldridge v Westbrook* (1842) 4 Beav 212; *Dudgeon v Cormley* (1843) 2 Con & Law 422; *Woods v Woods* (1846) 5 Hare 229; *Re Isaac, Cronbach v Isaac* [1897] 1 Ch 251 at 255. Cases where severance is reasonable include: (1) where one trustee has a personal interest which conflicts with his duty as trustee; (2) where allegations of fraud or improper conduct are made against one trustee; and (3) where one trustee is able to admit facts which the others do not believe to be true: see *Re Spurling's Will Trusts, Philpot v Philpot* [1966] 1 All ER 745, [1966] 1 WLR 920.

913. Right of appeal. In proceedings relating to a trust, permission is generally required for an appeal from a decision of a judge in a county court or the High Court[1].

1 See the Access to Justice Act 1999 s 54; CPR 52.3(1); and PRACTICE AND PROCEDURE vol 37 (Reissue) para 1503 et seq.

(ii) Protection against Liability

914. Protection against liability in respect of rents and covenants after distribution. Where a trustee liable as such for:

(1) any rent, covenant or agreement reserved by or contained in any lease[1]; or
(2) any rent, covenant or agreement payable under or contained in any grant[2] made in consideration of a rentcharge[3]; or
(3) any indemnity given in respect of any such rent, covenant or agreement mentioned in head (1) or head (2) above[4],

satisfies all liabilities under the lease or grant which may have accrued and been claimed up to the date of the conveyance and, where necessary, sets apart a sufficient fund to answer any future claim that may be made in respect of any fixed and ascertained sum which the lessee or grantee agreed to lay out on the property demised or granted, even if the period for laying it out has not arrived, then the trustee may convey the property demised or granted to a purchaser or other person entitled to call for a conveyance[5]. The trustee may then distribute the trust estate (other than the fund, if any, set apart) to or among the persons entitled to it, without appropriating any part, or any further part, as the case may be, of the trust estate to meet any future liability under the lease or grant[6]. Notwithstanding such distribution, he will not be personally liable in respect of any subsequent claim under the lease or grant[7].

Further, where a trustee as such has entered into an authorised guarantee agreement[8] with respect to any lease comprised in a trust estate, and he has satisfied all liabilities that may have accrued and been claimed up to the date of distribution, he may distribute the trust estate to or among the persons entitled to it, without appropriating any part of the estate to meet any future liability under any such agreement and notwithstanding any potential liability of his to enter into any such agreement[9]. Notwithstanding such distribution, he is not personally liable in respect of any subsequent claim under the agreement[10].

1 Trustee Act 1925 s 26(1)(a). For these purposes, 'lease' includes an underlease and an agreement for a lease or underlease and any instrument giving any indemnity or varying the liabilities under the lease; and 'lessee' includes persons deriving title under the lessee: s 26(3).

2 For these purposes, 'grant' applies to a grant whether the rent is created by limitation, grant, reservation or otherwise and includes an agreement for a grant and any instrument giving an indemnity or varying the liabilities under the grant; and 'grantee' includes persons deriving title under the grantee: ibid s 26(3).

3 Ibid s 26(1)(b).

4 Ibid s 26(1)(c).

5 Ibid s 26(1) (amended by the Law of Property (Amendment) Act 1926 ss 7, 8(2), Schedule).

6 Trustee Act 1925 s 26(1) (as amended: see note 5 supra).

7 Ibid s 26(1) (as amended: see note 5 supra). Section s 26(1) (as amended) protects only trustees as such and so does not protect them against personal liability if they take possession of the property: *Re Owers, Public Trustee v Death* [1941] Ch 389, [1941] 2 All ER 589; *Re Bennett, Midland Bank Executor and Trustee Co Ltd v Fletcher* [1943] 1 All ER 467. See further EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) paras 407–408.

The Trustee Act 1925 s 26 (as amended) operates without prejudice to the right of the lessor or grantor, or the persons deriving title under the lessor or grantor, to follow the assets of the trust property into the hands of the persons amongst whom the same may have been respectively distributed and applies notwithstanding anything to the contrary in the will or other instrument, if any, creating the trust: s 26(2).

8 See the Landlord and Tenant (Covenants) Act 1995 ss 16, 28; and LANDLORD AND TENANT vol 27(1) (2006 Reissue) para 289.

9 Trustee Act 1925 s 26(1A) (added by the Landlord and Tenant (Covenants) Act 1995 s 30(1), Sch 1 para 1).

10 Trustee Act 1925 s 26(1A) (as added: see note 9 supra).

915. Protection by means of advertisements. With a view to the conveyance[1] to or distribution among the persons entitled to any real or personal property, the trustees of a settlement[2], trustees of land[3], or trustees for sale of personal property may give notice, by advertisement in the London Gazette and in a newspaper circulating in the district in which the land is situated[4] and such other like notices, including notices elsewhere than in England and Wales, as would, in any special case, have been directed by a court of competent jurisdiction in a claim for administration[5], of their intention to make the conveyance or distribution[6]. The notice may require any person interested to send to the trustees within the time, not being less than two months, fixed by the notice or, where more than one notice is given, the last of the notices, particulars of his claim in respect of the property or any part of it to which the notice relates[7]. At the expiration of the time fixed by the notice, the trustees may convey or distribute the property, or any part of it to which the notice relates, to or among the persons entitled to it, having regard only to the claims, whether formal or not, of which the trustees then had notice; and, as respects the property so conveyed or distributed, they are not liable to any person of whose claim they have not had notice at the time of the conveyance or distribution[8].

1 For the meaning of 'conveyance' see para 875 note 15 ante.

2 For the meaning of 'settlement' see para 804 note 1 ante.

3 For the meaning of 'trust of land' see para 605 note 5 ante.

4 On similar language in other statutes it has been held that The Sporting Life circulates in Westminster (*R v Westminster Betting Licensing Committee, ex p Governors of Peabody Donation Fund* [1963] 2 QB 750,

[1963] 2 All ER 544, DC) and that The Times is a local newspaper circulating in Rickmansworth (*Re Southern Builders and Contractors (London) Ltd* (1961) Times, 10 October).

5 See *Re Bracken, Doughty v Townson* (1889) 43 ChD 1, CA; *Re Letherbrow, Hopp v Dean* [1935] WN 34; *Re Holden, Isaacson v Holden* [1935] WN 52.

6 Trustee Act 1925 ss 27(1), 68(1) para (4) (s 27(1) amended by the Law of Property (Amendment) Act 1926 ss 7, 8(2), Schedule; and the Trusts of Land and Appointment of Trustees Act 1996 s 25(1), Sch 3 para 3(7)). The Trustee Act 1925 s 27 (as amended) applies notwithstanding anything to the contrary in the instrument, if any, creating the trust: s 27(3).

7 Ibid s 27(1) (as amended: see note 6 supra). 'Persons interested' includes creditors and next of kin or presumably beneficiaries under a will: *Re Aldhous, Noble v Treasury Solicitor* [1955] 2 All ER 80, [1955] 1 WLR 459.

8 Trustee Act 1925 s 27(2); and see *Re Frewen, Frewen v Frewen* (1889) 60 LT 953. Nothing in the Trustee Act 1925 s 27 (as amended): (1) prejudices the right of any person to follow the property, or any property representing it, into the hands of any person, other than a purchaser, who may have received it; or (2) frees the trustees from any obligation to make searches or obtain official certificates of search similar to those which an intending purchaser would be advised to make or obtain: s 27(2)(a), (b). See EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) paras 382–383. As to the right of a trustee to protect himself by asking the court for directions see paras 1057, 1070 post. As to the following of trust property generally see para 1134 post; and EQUITY vol 16(2) (Reissue) paras 861–866. It has been recommended that, where trustees have received the advice of counsel to distribute notwithstanding a possible adverse claim, similar protection should be afforded, but only if the trustees first wrote to the potential creditor and no claim was made within three months thereafter: see *Powers and Duties of Trustees* (23rd Report of the Law Reform Committee) (Cmnd 8733) (1982) para 5.1.

916. Statutory protection against liability for distributions made without regard to certain relationships. A trustee is not under a duty[1] to inquire, before conveying or distributing any property, whether any person is illegitimate or has been adopted by one of his natural parents, and could be legitimated (or if deceased be treated as legitimated), if that fact could affect entitlement to the property[2]. Nor need he inquire, where such fact could affect entitlement to the property, whether any adoption has been effected or revoked[3] or whether a full gender recognition certificate[4] has been issued to any person or revoked[5]. Furthermore, a trustee is not liable to any person by reason of a conveyance or distribution made without regard to such facts if he has not received notice of the fact before the conveyance or distribution[6]. There is no longer any similar protection in relation to illegitimate persons[7]; trustees should therefore take advantage of their right to protection by means of advertisements[8].

1 Ie by virtue of the law relating to trusts.

2 See the Legitimacy Act 1976 s 7(1); and CHILDREN AND YOUNG PERSONS vol 5(3) (Reissue) para 125 et seq.

3 See the Adoption Act 1976 s 45(1); the Adoption and Children Act 2002 s 72(1); and CHILDREN AND YOUNG PERSONS. The Adoption Act 1976 s 45 applies with like effect to parental orders made under the Human Fertilisation and Embryology Act 1990 s 30(1): see the Parental Orders (Human Fertilisation and Embryology) Regulations 1994, SI 1994/2767, reg 2, Sch 1; and CHILDREN AND YOUNG PERSONS vol 5(3) (Reissue) para 106. These regulations provide for the application with modification of certain provisions of the Adoption Act 1976 to parental orders in favour of gamete donors under the Human Fertilisation and Embryology Act 1990 s 30(1) and, notwithstanding the repeal of the relevant provisions of the Adoption Act 1976, continue to have effect for the purpose of their application in relation to such parental orders: Adoption and Children Act 2002 (Commencement No 10 Transitional and Savings Provisions) Order 2005, SI 2005/2897, art 14.

4 Where a full gender recognition certificate is issued, the person's gender becomes the acquired gender for all purposes: see the Gender Recognition Act 2004 s 9(1); and CONSTITUTIONAL LAW AND HUMAN RIGHTS. The fact that a person's gender has become the acquired gender under the Act does not affect the disposal or devolution of property under a will or other instrument made before 4 April 2005 (being the appointed day): s 15; Gender Recognition Act 2004 (Commencement Order) 2005, SI 2005/54, art 2.

5 See the Gender Recognition Act 2004 s 17(1); and CONSTITUTIONAL LAW AND HUMAN RIGHTS.

6 See the Legitimacy Act 1976 s 7(2); the Adoption Act 1976 s 45(2); the Adoption and Children Act 2002 s 72(2); the Gender Recognition Act 2004 s 17(2); and CHILDREN AND YOUNG PERSONS; CONSTITUTIONAL LAW AND HUMAN RIGHTS. These provisions do not prejudice the right of a person

to follow the property, or any property representing it, into the hands of another person who has received it unless that person has purchased it for value and in good faith and without notice: see the Legitimacy Act 1977 s 7(3); the Adoption Act 1976 s 45(3); the Adoption and Children Act 2002 s 72(3); the Gender Recognition Act 2004 s 17(3); and CHILDREN AND YOUNG PERSONS; CONSTITUTIONAL LAW AND HUMAN RIGHTS.

7 Ie since the repeal of the Family Law Reform Act 1969 s 17 by the Family Law Reform Act 1987 s 33(4), Sch 4 (see WILLS vol 50 (2005 Reissue) para 638).

8 Ie under the Trustee Act 1925 s 27: see para 915 ante.

(iii) Payment into Court by Trustees

917. Payment into court generally. Trustees, or the majority of trustees, having in their hands or under their control money or securities[1] belonging to a trust may pay the same into court[2], and the receipt or certificate of the proper officers is a sufficient discharge to trustees for the money or securities so paid into court[3]. Where money or securities are vested in any persons as trustees, and the majority are desirous of paying the same into court, but the concurrence of the other trustees or trustee cannot be obtained, the court may order the payment into court to be made by the majority without that concurrence[4]. Where any such money or securities are deposited with any banker, broker or other depositary, the court may order payment or delivery of the money or securities to the majority of the trustees for the purpose of payment into court[5]; and every transfer, payment and delivery made in pursuance of any such order is valid and takes effect as if it had been made on the authority or by the act of all the persons entitled to the money and securities so transferred, paid or delivered[6].

1 For these purposes, 'securities' includes stocks, funds and shares: Trustee Act 1925 s 68(1) para (13) (amended by the Administration of Justice Act 1965 s 17(1), Sch 1).

2 Trustee Act 1925 s 63(1) (amended by the Administration of Justice Act 1965 s 36(4), Sch 3). For the meaning of 'the court' see para 632 note 3 ante. As to the jurisdiction of the county court in relation to payment into court by trustees see paras 641–642 ante. Any reference in the Trustee Act 1925 to paying money or securities into court is to be construed as referring to paying the money or transferring or depositing the securities into or in the Supreme Court or into or in any other court that has jurisdiction; and any reference to payment of money or securities into court is to be construed, with reference to an order of the High Court, as referring to payment of the money or transfer or deposit of the securities into or in the Supreme Court, and, with reference to an order of any other court, as referring to payment of the money or transfer or deposit of the securities into or in that court: s 68(2) (added by the Administration of Justice Act 1965 s 17(1), Sch 1). As from a day to be appointed, the words 'Senior Courts' are substituted for the words 'Supreme Court' by the Constitutional Reform Act 2005 s 59(5), Sch 11 para 4(1), (3). At the date at which this volume states the law no such day had been appointed.

The trustees for the time being may make the lodgment: *Re Parry* (1848) 6 Hare 306. Trustees of a charitable fund may lodge it in court without the consent of the Charity Commission (formerly the Charity Commissioners): *Re Poplar and Blackwall Free School* (1878) 8 ChD 543. The procedure may be resorted to by life assurance companies (see the Life Assurance Companies (Payment into Court) Act 1896; and INSURANCE vol 25 (2003 Reissue) paras 561–562), but may not be resorted to by purchasers from trustees (*Re Buckley's Trust* (1853) 17 Beav 110) or bankers (see *Re Thakeham Sequestration Moneys* (1871) LR 12 Eq 494; *Re Sutton's Trusts* (1879) 12 ChD 175; and para 621 ante) or other persons or bodies holding money otherwise than as trustees (*Matthew v Northern Assurance Co* (1878) 9 ChD 80; *Re Sutton's Trusts* supra). As to the procedure see para 920 post.

3 Trustee Act 1925 s 63(2). As to the procedure for the lodgment of funds into court see the Court Funds Rules 1987, SI 1987/821, Pt II (rr 13–24) (as amended). As to the management and investment of funds paid into, or under the custody of, both the High Court and a county court see the Administration of Justice Act 1982 s 38 (as amended). See generally COURTS; PRACTICE AND PROCEDURE. The trustee ought to lodge in court the fund itself and not merely a dividend on it: *Re Glendenning* [1867] WN 191. He is entitled to deduct and retain the costs and expenses of the lodgment of the fund before lodging it in court, and any question as to the propriety of his doing so must be challenged by a separate proceeding (*Re Parker's Will* (1888) 39 ChD 303, CA); or he can obtain payment of these costs and expenses out of the fund in court (*Beaty v Curson* (1868) LR 7 Eq 194; *Re Whitton's Trusts* (1869) LR 8 Eq 352). As to the procedure on a lodgment in court by a trustee see para 920 post.

4 Trustee Act 1925 s 63(3). As to the court's power to order a trust fund to be paid into court where it is necessary or expedient for the preservation of the trust estate or the due performance of the trust see para 1069 post.

5 Ibid s 63(4).

6 Ibid s 63(5).

918. Circumstances in which payment into court is justifiable. A trustee is justified in lodging a trust fund in court where he has a genuine doubt as to the person entitled to it[1] or where, owing to the beneficiary not being sui juris, or for any other reason, he cannot otherwise get an effectual discharge for it[2].

1 *Re Lane's Trust* (1854) 3 WR 134; *Re Headington's Trust* (1857) 6 WR 7; *Re Wright's Trusts* (1857) 3 K & J 419; *Re Wylly's Trusts* (1860) 28 Beav 458; *Re Brocklesby* (1861) 29 Beav 652; *Re Metcalfe's Trusts* (1864) 2 De GJ & Sm 122; *Hockey v Western* [1898] 1 Ch 350, CA; *Re Davies' Trusts* (1914) 59 Sol Jo 234 (where the fund was claimed by two women, both of whom claimed to answer the description of 'the wife of the testator'); *Lake v Bayliss* [1974] 2 All ER 1114, [1974] 1 WLR 1073. Payment into court is justified where a beneficiary has incumbered his interest in the trust property and there is a question as to the amount due to the incumbrancer: *Hockey v Western* supra.

2 *Re Cawthorne* (1849) 12 Beav 56; *Re Upfull's Trust* (1851) 3 Mac & G 281; *Re Biddulph's Trusts, Re Poole's Trusts* (1852) 5 De G & Sm 469; *Re Irby* (1853) 17 Beav 334; *Re Jones* (1857) 3 Drew 679; *Re Coulson's Trust* (1857) 4 Jur NS 6; *Re Beauclerk* (1862) 11 WR 203; *Re Richards* (1869) LR 8 Eq 119; *Re Parker's Will* (1888) 58 LJ Ch 23, CA; *Re Salaman, De Pass v Sonnenthal* [1907] 2 Ch 46 at 51 (revsd on another point [1908] 1 Ch 4, CA); *Re Salomons, Public Trustee v Wortley* [1920] 1 Ch 290; *Boyle v Collins* [2004] EWHC 271 (Ch), [2004] 2 BCLC 471.

919. Costs where payment is unjustifiable. If a trustee lodges in court a trust fund where the persons entitled to it can be clearly ascertained, he may be refused his costs in connection with it and may be ordered to pay the costs of proceedings for obtaining a payment of the fund out of court[1]. Difficulties may be referred to the court[2].

1 *Re Fagg's Trust* (1850) 19 LJ Ch 175; *Re Lane's Trust* (1854) 3 WR 134; *Re Heming's Trust* (1856) 3 K & J 40; *Re Woodburn's Will* (1957) 1 De G & J 333; *Re Bendyshe* (1857) 3 Jur NS 727 at 728 per Kindersley V-C; *Re Knight's Trusts* (1859) 27 Beav 45; *Re Foligno's Mortgage* (1863) 32 Beav 131; *Re Leake's Trusts* (1863) 32 Beav 135; *Re Pearson's Trusts* (1869) 17 WR 365; *Re Wise's Trusts* (1869) IR 3 Eq 599; *Re Cull's Trusts* (1875) LR 20 Eq 561 at 564 per Jessel MR. The mere threat of proceedings or an unfounded claim made on a trust fund does not justify its being paid into court: *Re Waring* (1852) 16 Jur 652; *Re Maclean's Trusts* (1874) LR 19 Eq 274 at 282 per Jessel MR. A trustee may not pay money into court merely to get rid of the liability of a trust which he has undertaken to perform (*Re Knight's Trusts* supra at 49 per Romilly MR; *Re Elliot's Trusts* (1873) LR 15 Eq 194), or because he cannot get a release from trustees who are entitled to receive it from him (*Re Cater's Trusts (No 2)* (1858) 25 Beav 366) or a release from the persons beneficially interested when there are executors who have a legal right to receive the money (*Re Hoskin's Trusts* (1877) 5 ChD 229), or because, being an executor, he cannot get a release and indemnity, but only a receipt (*Re Roberts' Trusts* (1869) 38 LJ Ch 708; *Re Fortune's Trusts, ex p Brennan* (1870) IR 4 Eq 351). See EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 467.

2 As to the determination of questions by the court see CPR 64; and paras 1057, 1070 post. Trustees who pay money into court when a question could be decided under what is now CPR 64.2 are not allowed the costs occasioned by such payment into court: *Re Giles* (1886) 55 LJ Ch 695. In *Re Birkett* (1878) 9 ChD 576 at 581, Jessell MR said that, when there is a difficulty in determining how a legacy is to be applied, there is no justification for payment into court and the proper course is to take out an administration summons (now a claim); but, if payment is made, then the trustee can only recover his costs from the residuary estate. See, however, *Re Parker's Will* (1888) 39 ChD 303 at 305, CA, per Cotton LJ (where it was held that the court has no jurisdiction to order repayment by the trustees of costs deducted by them from the fund before payment in, and that in the circumstances of the case a summons would not necessarily have been a cheaper course of action so that payment in was not unreasonable or improper). The institution of interpleader proceedings is another alternative, although the disputed sum may be ordered to be paid into court, as for example in *Lake v Bayliss* [1974] 2 All ER 1114, [1974] 1 WLR 1073.

920. Procedure for payment into court. A trustee wishing to make a payment into court[1] must file a witness statement or affidavit[2] setting out:

(1) a short description of the trust and the instrument creating it or the circumstances in which the trust arose[3];
(2) the names of the persons interested in or entitled to the money or securities to be paid into court with their address, so far as known to him[4];
(3) a statement that he agrees to answer any inquiries which the court may make or direct relating to the application of the money or securities[5]; and
(4) his address for service[6].

If a trustee pays money or securities into court, unless the court orders otherwise, he must immediately serve notice of the payment into court on every person interested in or entitled to the money or securities[7].

1 Ie under the Trustee Act 1925 s 63 (as amended): see para 917 ante.
2 *Practice Direction—Miscellaneous Provisions about Payments into Court* PD 37 para 9.1. Payment into court must be in the manner prescribed by the Court Funds Rules 1987, SI 1987/821 (as amended): see PRACTICE AND PROCEDURE vol 37 (Reissue) para 1383 et seq. The court is either the High Court or the county court. Lodgments into the High Court of amounts of cash or securities of less than £500 will not be accepted by the Accountant General unless the Chief Master so signifies in writing: *Chancery Division Practice Direction* dated 5 December 1975, Chancery Guide (2002) para 26.47.
3 *Practice Direction—Miscellaneous Provisions about Payments into Court* PD 37 para 9.1(1).
4 *Practice Direction—Miscellaneous Provisions about Payments into Court* PD 37 para 9.1(2).
5 *Practice Direction—Miscellaneous Provisions about Payments into Court* PD 37 para 9.1(3).
6 *Practice Direction—Miscellaneous Provisions about Payments into Court* PD 37 para 9.1(4).
7 *Practice Direction—Miscellaneous Provisions about Payments into Court* PD 37 para 9.3.

921. Applications with respect to funds in court. Any application relating to money or securities which have been paid into court, other than an application for the payment out of the money or securities[1], may be made without notice, but the court may direct notice to be served on any person[2].

The court's permission is required to take the money out of court[3]. Permission may be obtained by making an application which may be made without notice but the court may direct notice to be served on any person[4]. The application notice must state the grounds on which the order for payment out is sought and evidence of any facts on which the applicant relies may also be necessary[5].

The application should be made by a person who proves his title to the fund[6]. Case law pre-dating the Civil Procedure Rules[7] indicates that the application should be served on such persons as appear from the heading of the account to be entitled to the fund[8], including in most cases the trustee who lodged the fund in court, and whose duty it is to appear and protect the fund[9]. The trustee need not be served where in his affidavit he has stated that a named person, then a minor, was absolutely entitled to the fund[10], or where the portion of the fund sought to be paid out has been carried to the separate account of a named person[11]. Where a fund has been lodged in court to the credit of minors as the next of kin of a person then supposed to have died intestate, but afterwards discovered to have left a will, the fund can be ordered to be paid out to the executor on his application[12].

An order may be made for payment of the income of the fund to a person entitled to it, while the fund itself is retained in court[13].

1 Ie an application for money to be invested, or for payment of interest to any person.
2 *Practice Direction—Miscellaneous Provisions about Payments into Court* PD 37 para 6.1. Any such application must be made in accordance with CPR Part 23. The court is either the High Court or the county court.
3 *Practice Direction—Miscellaneous Provisions about Payments into Court* PD 37 para 4.1.
4 *Practice Direction—Miscellaneous Provisions about Payments into Court* PD 37 para 10.2.
5 *Practice Direction—Miscellaneous Provisions about Payments into Court* PD 37 paras 4.2, 10.1. Any such application must be made in accordance with CPR Pt 23: *Practice Direction—Miscellaneous Provisions about Payments into Court* PD 37 para 4.2. The applicant must also comply with *Practice Direction—Offers to Settle*

and Payments into Court PD 36 para 8 (see PRACTICE AND PROCEDURE vol 37 (Reissue) para 807 et seq) where it applies: *Practice Direction—Miscellaneous Provisions about Payments into Court* PD 37 para 4.3.

6 A person not named in the trustee's affidavit may apply for payment out: *Re Puttrell's Trusts* (1877) 7 ChD 647; *Pelling v Goddard* (1878) 9 ChD 185. A person entitled to a definite share in the fund may apply, independently of the other beneficiaries, for payment out of that share: *Re Befford's Will* (1853) 21 LTOS 164; *Re Hawke's Trust* (1854) 18 Jur 33; *Winkworth v Winkworth* (1862) 32 Beav 233; *Re Tracey's Trusts* (1872) IR 6 Eq 271. The rule that a trust fund in court will not be ordered to be paid out to a sole trustee, except on the consent of all the beneficiaries, is not inflexible: *Leigh v Pantin* [1914] 2 Ch 701 at 704 per Sargant J. In *Re Barrow's Policy Trusts* [1918] 1 Ch 452, on an application for payment out, the court refused to consider claims which, if they were established by the applicant in administration proceedings, might have given rise to a distribution other than that which prima facie was proper. An applicant may be allowed his costs, even if his claim fails: *Re Birch's Legacy under Bissell's Will* (1856) 2 K & J 369. Cf *Re London and South Western Railway Extension Act, ex p Stevens* (1848) 2 Ph 772 at 774 per Lord Cottenham LC. The fund will be distributed on the application of the trustee (*Re Cooper's Trusts* (1853) 4 De GM & G 757; *Re Trower's Trust* (1859) 1 LT 54; *Re Partington's Trust* (1861) 3 Giff 378), but he is not generally the proper person to apply, and he runs the risk of not being allowed his full costs of doing so (*Re Cazneau's Legacy under Housman's Will* (1856) 2 K & J 249; *Re Hutchinson's Trusts* (1860) 1 Drew & Sm 27; *Re Poplar and Blackwall Free School* (1878) 8 ChD 543). As to the trustee's costs on applications by beneficiaries for payment out of court see *Re Sutton* (1882) 21 ChD 855; *Re Vardon's Trusts* (1884) 33 WR 297 (on appeal (1885) 31 ChD 275, CA). As to the trustee's affidavit on payment in see para 920 ante.

7 As to the need to exercise caution in applying pre-CPR authorities see para 908 ante.

8 See *Re Colson's Trust* (1853) 2 WR 111 (where leave was given to serve some only of numerous persons interested). As to unclaimed funds in court see the Court Funds Rules 1987, SI 1987/821, Pt X (rr 57–62) (as amended). Where a person appeared and unreasonably opposed the application for payment out, he was ordered to pay the costs of the proceedings: *Re Armston's Trusts* (1864) 4 De GJ & Sm 454.

9 *Re Cawthorne* (1849) 12 Beav 56; *Lowe v Moore* (1906) 22 TLR 640.

10 *Re Beauclerk* (1862) 11 WR 203.

11 *Re Young (a lunatic)* (1857) 5 WR 400.

12 *Re Hood's Trusts* [1896] 1 Ch 270.

13 *Re Leake's Trusts* (1863) 32 Beav 135; *Re Gordon's Trusts* (1868) LR 6 Eq 335; *Re Whitton's Trusts* (1869) LR 8 Eq 352; *Re Smith's Trusts* (1870) LR 9 Eq 374; *Re Munton's Trusts* (1870) 39 LJ Ch 764; *Re Evans' Trusts* (1872) 7 Ch App 609; *Re Battell's Trusts* (1872) 21 WR 138. Where the person entitled to the fund was deaf, dumb and blind, the fund was retained in court and the income was ordered to be paid for the person's benefit: *Re Biddulph's Trusts, Re Poole's Trusts* (1852) 5 De G & Sm 469.

922. Effect of payment into court. Payment into court by a trustee does not discharge him from his office[1], or relieve him from liability to account for trust money misapplied or not applied by him[2], or from liability to be sued in respect of any other breach of trust[3]. He thereby expresses a desire to be discharged within the meaning of a power authorising the appointment of a new trustee in that event[4]; and he is no longer able to exercise any powers or discretions previously vested in him over or in reference to the trust property[5].

1 *Thompson v Tomkins* (1862) 2 Drew & Sm 8 at 21–22; *Barker v Peile* (1865) 2 Drew & Sm 340 at 342 per Kindersley V-C. Notice of any dealing with an interest in the fund in court should be given to him as a trustee of the fund: *Thompson v Tomkins* supra.

2 *Goode v West* (1851) 9 Hare 378; *Beaty v Curson* (1868) LR 7 Eq 194.

3 *Re Waring* (1852) 16 Jur 652; *Thorp v Thorp* (1855) 1 K & J 438; *A-G v Alford* (1855) 4 De GM & G 843. He is, however, relieved as against claimants on the fund: *Re Jephson* (1859) 1 LT 5.

4 *Re Bailey's Trust* (1854) 3 WR 31; *Re Williams' Settlement* (1858) 4 K & J 87.

5 *Re Coe's Trust* (1858) 4 K & J 199; *Re Tegg's Trusts* (1866) 15 WR 52; *Re Poplar and Blackwall Free School* (1878) 8 ChD 543; *Re Mulqueen's Trusts, ex p Mulqueen* (1881) 7 LR Ir 127; *Re Ashburnham's Trust* (1885) 54 LT 84, DC; *Re Nettlefold's Trusts* (1888) 59 LT 315. See, however, *Re Landon's Trusts* (1871) 40 LJ Ch 370, which was dissented from in *Re Murphy's Trusts* [1900] 1 IR 145. Where, under the terms of the trust, trustees had a discretion as to the mode of applying the capital and income of the trust fund for the benefit of the beneficiary, it was held that payment of the fund into court put an end to their discretion, but that the court could deal with the fund in the way that it considered best in his interest; and on his application the fund was ordered to be paid out to the trustees of a proper settlement executed by him: *Re Murphy's Trusts* supra.

(iv) Retainer and Set-off

923. Retainer as against beneficiaries. Trustees may retain the capital or income of trust property as against a beneficiary entitled to it who owes money to them as trustees of the trust[1], and as against persons claiming through him[2].

A beneficiary who is indebted to the trust estate[3], or has received from it more than his due share[4], or has rendered himself liable in respect of a breach of trust[5], may claim nothing from the trust estate until his liability to it is made good. A trustee beneficiary liable to pay a sum to the trust fund should not, however, be ordered to make good that part of it which would come to him as a beneficiary on the distribution of the fund, although this principle should only be applied after deducting the costs and expenses relating to the litigation which fall on the fund[6].

The trustees may not retain money which comes into their hands as trustees incidentally and not as part of the trust property[7]. A trustee of two funds under independent trusts for the same beneficiary may not retain out of one of them in order to satisfy a claim which he has against the beneficiary in respect of the other fund[8].

1 *Priddy v Rose* (1817) 3 Mer 86; *Smith v Smith* (1835) 1 Y & C Ex 338; *Weston, Davies v Tagart* [1900] 2 Ch 164. This right exists not only where there is a legal debt presently payable, but also where the trustees have a claim against the beneficiary sounding in damages (e g for breach of covenant to pay the premiums on a settled policy of insurance): *Re Jewell's Settlement, Watts v Public Trustee* [1919] 2 Ch 161 at 174–177 per Younger J. Where, however, an annuitant under a deed of covenant is overpaid (e g by failure to deduct income tax from the annuity) owing to a mistake of law and subsequently becomes beneficially entitled to a share in the estate of the covenantor, the trustees of that estate are not entitled to retain out of that share the amount of such overpayments: *Re Hatch, Hatch v Hatch* [1919] 1 Ch 351 at 356–357 per Sargant J.

2 *Ex p Mitford* (1784) 1 Bro CC 398; *Woodyatt v Gresley* (1836) 8 Sim 180; *Burridge v Row* (1842) 1 Y & C Ch Cas 183 (affd (1844) 13 LJ Ch 173); *Corr v Corr* (1879) 3 LR Ir 435, Ir CA; *Hallett v Hallett* (1879) 13 ChD 232 at 234 per Fry J; *Re Weston, Davies v Tagart* [1900] 2 Ch 164.

3 *Priddy v Rose* (1817) 3 Mer 86; *Smith v Smith* (1835) 1 Y & C Ex 338; *Woodyatt v Gresley* (1836) 8 Sim 180; *Willes v Greenhill* (1860) 29 Beav 376; *Vaughton v Noble* (1861) 30 Beav 34 at 38–39; *Corr v Corr* (1879) 3 LR Ir 435, Ir CA; *Re Harrald, Wilde v Walford* (1884) 53 LJ Ch 505, CA; *Re Milnes, Milnes v Sherwin* (1885) 53 LT 534; *Re Akerman, Akerman v Akerman* [1891] 3 Ch 212; *Re Taylor, Taylor v Wade* [1894] 1 Ch 671; *Re Weston, Davies v Tagart* [1900] 2 Ch 164; *Re Wheeler, Hankinson v Hayter* [1904] 2 Ch 66 at 71 per Warrington J; *Re Rhodesia Goldfields Ltd, Partridge v Rhodesia Goldfields Ltd* [1910] 1 Ch 239; *Re Towndrow, Gratton v Machen* [1911] 1 Ch 662; *Re Melton, Milk v Towers* [1918] 1 Ch 37, CA (overruling *Re Binns, Lee v Binns* [1896] 2 Ch 584). See also EQUITY vol 16(2) (Reissue) para 903. The share of a beneficiary under a will is not liable to be retained to meet a debt due from another testator's estate of which he is executor (*Re Bruce, Lawford v Bruce* [1908] 2 Ch 682, CA), nor to meet a debt owing to a firm in which the testator was a partner (*Jackson v Yeats* [1912] 1 IR 267). As to the liability of a beneficiary on overpayment see para 1133 post.

4 *Downes v Bullock* (1858) 25 Beav 54 at 62 per Romilly MR; affd sub nom *Bullock v Downes* (1860) 9 HL Cas 1.

5 *Parnell v Hingston* (1856) 3 Sm & G 337; *Irby v Irby (No 3)* (1858) 25 Beav 632; *Jacubs v Rylance* (1874) LR 17 Eq 341; *Hallett v Hallett* (1879) 13 ChD 232; *Re Brown, Dixon v Brown* (1886) 32 ChD 597; *Doering v Doering* (1889) 42 ChD 203; *Re Eyton, Bartlett v Charles* (1890) 45 ChD 458; *Re Dacre, Whitaker v Dacre* [1916] 1 Ch 344, CA. It makes no difference that his interest in the trust estate is derivative (*Jacubs v Rylance* supra; *Doering v Doering* supra), and the principal applies in the case of the assign of a beneficiary who is also a trustee and has committed a breach of trust (*Morris v Livie* (1842) 1 Y & C Ch Cas 380). It does not, however, apply where the breach of trust is committed in respect of another fund (*Re Towndrow, Gratton v Machen* [1911] 1 Ch 662), and circumstances may exempt incumbrancers of the beneficiary's share from the application of the principle (*Re Eyton, Bartlett v Charles* supra).

6 *Selangor United Rubber Estates Ltd v Cradock (No 4)* [1969] 3 All ER 965, [1969] 1 WLR 1773, restricting the scope of the principle in *Re VGM Holdings Ltd* [1942] Ch 235, [1942] 1 All ER 224, CA.

7 *Hallett v Hallett* (1879) 13 ChD 232.

8 *Price v Loaden* (1856) 21 Beav 508; *Palairet v Carew* (1863) 32 Beav 564.

924. Set-off. A trustee is ordinarily entitled to set off an amount due to him from the trust estate against an amount due to it from him; and he may set off an amount due to the estate from a beneficiary against a sum payable out of the estate to the beneficiary[1].

Where a trustee sues a debtor to the trust estate, the debtor may set off against the trustee's claim an amount due to him from a beneficiary entitled to trust property; and a person who is sued for debt may set off a sum due from the claimant to a trustee for him[2].

1 As to a set-off between the trustee and the trust estate see SET-OFF AND COUNTERCLAIM vol 42 (Reissue) para 461. There is no right to set off a gain against a loss in respect of different breaches of trust: see para 1102 post.

2 As to a set-off between the trustee and the debtors to the trust estate see SET-OFF AND COUNTERCLAIM vol 42 (Reissue) para 462.

(v) Discharge on Termination of Trust

925. Trustee's right to release. Where there is an instrument declaring a clearly defined trust, and the trustee pays the income or transfers the capital of the trust property in strict accordance with the trust, he may on the termination of the trust require an acknowledgement that the accounts are settled[1], but he has no right to require a release by deed[2]. Where, however, there is merely an oral trust, and no evidence as to its exact terms or as to the amount of the trust property, or where the trustee is required to deal with the property in a manner differing from the strict tenor of the trust, he can legally demand a release by deed[3]. Where a beneficiary has settled his share of the trust property, the trustee is entitled to a release from him, but can only require a receipt from the trustees to whom it is to be transferred[4].

1 *Chadwick v Heatley* (1845) 2 Coll 137; *Re Wright's Trusts* (1857) 3 K & J 419. If such an acknowledgement is refused, he may insist on the account being taken by the court: *Chadwick v Heatley* supra. An executor who has acted competently in the administration and charged reasonably is entitled to have his accounts approved and to be discharged from the administration: *Glenister v Moody* [2003] EWHC 3155 (Ch), [2003] All ER (D) 242 (Nov).

2 *King v Mullins* (1852) 1 Drew 308 at 311 per Kindersley V-C; *Warter v Anderson* (1853) 11 Hare 301 at 303 per Wood V-C. A trustee is not in all cases entitled to a formal deed of release; in many cases a receipt from the beneficiary is a sufficient discharge: *Re Robert's Trusts* (1869) 38 LJ Ch 708 at 709 per Malins V-C. The desire for a release on the part of trustees is not encouraged: a receipt from a person entitled to money is the best release for the payment of it (*Re Hoskin's Trusts* (1877) 5 ChD 229 at 234 per Malins V-C), and no more may be required where executors or trustees are the persons entitled to receive trust money (*Re Cater's Trusts (No 2)* (1858) 25 Beav 366 at 367 per Romilly MR; *Re Hoskin's Trusts* supra). Where a bank renounced probate and asked for a formal release before handing over to the administrators the documents relating to the estate in its possession, it was held not entitled to such a release: *Tiger v Barclays Bank Ltd* [1951] 2 KB 556, [1951] 2 All ER 262; affd on a different point [1952] 1 All ER 85, CA.

3 *King v Mullins* (1852) 1 Drew 308 at 311. As to releases in respect of breaches of trust see para 1120 et seq post; and as to releases generally see CONTRACT vol 9(1) (Reissue) paras 1052–1054. As to setting aside a release executed under a mistake see MISTAKE vol 32 (2005 Reissue) para 50 et seq.

4 *Re Cater's Trusts (No 2)* (1858) 25 Beav 366 at 367 per Romilly MR; *Tiger v Barclays Bank Ltd* [1951] 2 KB 556, [1951] 2 All ER 262 (affd on a different point [1952] 1 All ER 85, CA).

(6) DISABILITIES OF TRUSTEES

(i) In general

926. Misuse of trustee's position. A trustee must not in any way make use of the trust property or of his position as trustee for his own interest or private advantage[1]. A person who accepts a trust to sell or otherwise deal with or manage property for another

undertakes, on becoming trustee, so long as he occupies that position, not to sell, deal with or manage the property for his own benefit and advantage[2]. It is a breach of trust for a trustee to make an advance out of the trust fund to a beneficiary, under a power for that purpose, in order to enable the beneficiary to repay a debt due to himself[3]. He may, however, accept repayment out of an advance of trust money to his debtor if it was not made with that distinct object[4].

1 *Webb v Earl of Shaftesbury, Earl of Shaftesbury v Arrowsmith* (1802) 7 Ves 480 at 487–488; *Ex p James* (1803) 8 Ves 337; *Aberdeen Town Council v Aberdeen University* (1877) 2 App Cas 544, HL; *Re Imperial Land Co of Marseilles, ex p Larking* (1877) 4 ChD 566 at 578, CA, per Malins V-C; *Re Francis, Barrett v Fisher* (1905) 74 LJ Ch 198; *Bath v Standard Land Co Ltd* [1911] 1 Ch 618 at 637, CA, per Fletcher Moulton LJ; *Boardman v Phipps* [1967] 2 AC 46, [1966] 3 All ER 721, HL. As to the application of the principles in relation to constructive trusts see para 695 et seq ante. Unless expressly authorised to do so, a person in a fiduciary position is not entitled to make a profit out of his position: *Bray v Ford* [1896] AC 44 at 51, HL, per Lord Herschell. See para 928 post. Where a bribe is paid to a trustee to induce him to sell or let trust property, the sale or lease will be voidable and he will be accountable as a constructive trustee for the bribe, or, alternatively, he may be liable to account for the actual loss sustained: *T Mahesan s/o Thambiah v Malaysia Government Officers' Co-operative Housing Society Ltd* [1979] AC 374, [1978] 2 All ER 405, PC; *A-G for Hong Kong v Reid* [1994] 1 AC 324, [1994] 1 All ER 1, PC; *Daraydan Holdings Ltd v Solland International Ltd* [2004] EWHC 622 (Ch), [2005] Ch 119, [2005] 4 All ER 73; and see para 697 ante.

2 *Ex p Lacey* (1802) 6 Ves 625 at 626 per Lord Eldon LC.

3 *Molyneux v Fletcher* [1898] 1 QB 648. As to the power to lend to a beneficiary on personal security see para 1010 post.

4 *Butler v Butler* (1877) 7 ChD 116, CA; *Chillingworth v Chambers* [1896] 1 Ch 685, CA. A trustee-solicitor may demand and receive from a third person to whom he lends trust money the costs of preparing the mortgage by which it is secured: *Whitney v Smith* (1869) 4 Ch App 513. A trustee is not liable to account for money received from an outside source without his volition: *Re Northcote's Will Trusts, Northcote v Northcote* [1949] 1 All ER 442 (where executors who were obliged to obtain a grant of probate abroad in respect of foreign assets were held not accountable for agency commission allowed by the foreign law).

927. Avoidance of conflict between trustee's interest and duty. A trustee must not intentionally place himself in a position in which his interest may conflict with his duty[1]. Therefore he must not enter into engagements in which he has or can have a personal interest which conflicts or possibly may conflict with the interests of those whom he is bound to protect[2]. No act of the trustee can restrict or prejudice the title of his beneficiaries[3].

1 *Lagunas Nitrate Co v Lagunas Syndicate* [1899] 2 Ch 392 at 442, CA, per Rigby LJ; *Boardman v Phipps* [1967] 2 AC 46 at 123, [1966] 3 All ER 721 at 756, HL, per Lord Upjohn. A person in a fiduciary position is not allowed to put himself in a position where his interest and duty conflict: *Bray v Ford* [1896] AC 44 at 51, HL, per Lord Herschell; *Regal (Hastings) Ltd v Gulliver* [1967] 2 AC 134n, [1942] 1 All ER 378, HL; *Guinness plc v Saunders* [1990] 2 AC 663, [1990] 1 All ER 652, HL. The rule does not apply, however, where the trustee has been put in that position by the testator or settlor under whose disposition his trust arose: *Sargeant v National Westminster Bank plc* (1990) 61 P & CR 518, CA. See also para 697 ante. The fact that a trustee may have conflicting duties does not release him from either duty: see *Moody v Cox and Hatt* [1917] 2 Ch 71, CA (where a solicitor who had put himself in the position of owing a duty to his client as solicitor on the one side and a duty to his beneficiaries on the other by selling as trustee and acting for both vendor and purchaser on the sale was held not entitled to say that he had discharged his duty to his client because he owed a conflicting duty to the beneficiaries).

2 *Richardson v Chapman* (1760) 7 Bro Parl Cas 318, HL; *Phayre v Peree* (1815) 3 Dow 116 at 128, HL, per Lord Redesdale; *Aberdeen Rly Co v Blaikie Bros* (1854) 1 Macq 461 at 471, HL, per Lord Cranworth LC; *Shallcross v Oldham* (1862) 2 John & H 609; *Bennett v Gas Light and Coke Co* (1882) 52 LJ Ch 98; *Lagunas Nitrate Co v Lagunas Syndicate* [1899] 2 Ch 392 at 442, CA, per Rigby LJ; *Costa Rica Rly Co Ltd v Forwood* [1901] 1 Ch 746 at 760–761, CA, per Vaughan Williams LJ; *Re Thomson, Thomson v Allen* [1930] 1 Ch 203 (where *Aberdeen Rly Co v Blaikie Bros* supra was applied in special circumstances to the case of an executor who, after the testator's death, set up a business competing with that which the testator had bequeathed to him); *Re Wallace Smith & Co Ltd* [1992] BCLC 970. Cf *Re Clark, Clark v Moore* (1920) 150 LT Jo 94 (lease and sale of trust property to company promoted and controlled by trustee). Although the existence of the fiduciary relationship creates an inability in the trustee to contract in regard to the trust property, when the contract has been brought into existence before the fiduciary relationship the trustee

is not precluded from asserting his rights under the pre-existing contract: *Re Mullholland's Will Trusts, Bryan v Westminster Bank Ltd* [1949] 1 All ER 460 (where a testator demised premises with an option to purchase and later executed a will appointing the lessees executors, and the option was held exercisable after the testator's death). As to the disqualification of a trustee from purchasing trust property see paras 938–943 post.

3 *Brydges v Brydges, Philips v Brydges* (1796) 3 Ves 120 at 127 per Arden MR; *Selby v Alston* (1797) 3 Ves 339 at 341; *Blennerhassett v Day* (1812) 2 Ball & B 104. As to the protection of trust property from execution levied in respect of a debt of the trustee see ENFORCEMENT. As to the effect on trust property of the trustee's bankruptcy see para 733 ante.

928. Trustee's accountability for profit made out of his trust. It is a general principle that, unless otherwise expressly provided[1], a trustee is accountable for any profit that he makes out of his trust[2]. Moreover, the liability to account for a profit is not confined to cases where the profit is derived directly from the trust estate[3]. A trustee may also be held to be a constructive trustee of the profit[4].

1 A bank as executor was held on the construction of its charging clause to be under no duty to account for the profit gained by its employment of money deposited with it: *Re Waterman's Will Trusts, Lloyds Bank Ltd v Sutton* [1952] 2 All ER 1054. Where a testator empowered his trustees to procure their appointment as directors of a company in his place, they were held entitled to retain the remuneration paid to them: *Re Llewellin's Will Trusts, Griffiths v Wilcox* [1949] Ch 225, [1949] 1 All ER 487.

2 *Bray v Ford* [1896] AC 44 at 51, HL, per Lord Herschell; *Regal (Hastings) Ltd v Gulliver* [1967] 2 AC 134n, [1942] 1 All ER 378 at 391, HL (where Lord Macmillan cited 2 Kame's Principles of Equity (3rd Edn) 87: 'Equity prohibits a trustee from making any profit by his management, directly or indirectly'); *Boardman v Phipps* [1967] 2 AC 46, [1966] 3 All ER 721, HL; *Guinness plc v Saunders* [1990] 2 AC 663, [1990] 1 All ER 652, HL. As to the extent of the disclosure required to relieve a trustee from liability to account see *Phipps v Boardman* [1965] Ch 992, [1965] 1 All ER 849, CA (affd in *Boardman v Phipps* supra); *Gray v New Augarita Porcupine Mines Ltd* [1952] 3 DLR 1 at 14 per Lord Radcliffe; *Gwembe Valley Development Co Ltd v Koshy (No 3)* [2003] EWCA Civ 1048, [2004] 1 BCLC 131. See also *Swain v The Law Society* [1981] 3 All ER 797, [1982] 1 WLR 17, CA (revsd [1983] 1 AC 598, [1982] 2 All ER 827, HL, on the grounds that The Law Society was not acting as a fiduciary but partly pursuant to a public duty under the Solicitors Act 1974); *Hanson v Lorenz and Jones* [1987] 1 FTLR 23, CA (solicitor under no duty to account for profit from a joint venture between himself and his client). See further EQUITY vol 16(2) (Reissue) para 858. Thus a trustee who was a clerk on half commission with a firm of stockbrokers was held bound to account for commission paid on trust business introduced: *Williams v Barton* [1927] 2 Ch 9. The principle applies to any person in a fiduciary position, whether technically a trustee or not: *Re French Protestant Hospital* [1951] Ch 567, [1951] 1 All ER 938 (where a byelaw made by the directors of a charitable corporation permitting them to be paid for professional services was held to be invalid). The principle applies to custodian trustees as well as ordinary trustees: *Re Brooke Bond Co Ltd's Trust Deed, Brooke v Brooke Bond & Co Ltd* [1963] Ch 357, [1963] 1 All ER 454. As to custodian trustees see para 792 et seq ante. As to the disability of constructive trustees to retain a profit see para 697 ante; and as to the disability of executors to make a profit see EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 45. Cf *Nordisk Insulin-laboratorium v Gorgate Products Ltd* [1953] Ch 430, [1953] 1 All ER 986, CA (no fiduciary relationship established).

3 *Re Macadam, Dallow v Codd* [1946] Ch 73, [1945] 2 All ER 664 (where trustees who became directors of a company by exercising a discretionary power under the trust were held accountable to the trust estate for the remuneration received). Where, however, trust shares were not used to procure the appointment of a trustee as director, he was entitled to retain his remuneration: *Re Gee, Wood v Staples* [1948] Ch 284, [1948] 1 All ER 498. A trustee shareholder may use votes attached to his personal shareholding as he wishes. It is not, however, possible to split one's vote on a show of hands: see *McGrattan v McGrattan* [1985] NI 28, NI CA. See also *Boardman v Phipps* [1967] 2 AC 46, [1966] 3 All ER 721, HL; *Industrial Development Consultants Ltd v Cooley* [1972] 2 All ER 162, [1972] 1 WLR 443. The Privy Council has, however, taken a less strict line with directors who take advantage of a corporate opportunity which a fully informed board of directors has rejected: see *Queensland Mines Ltd v Hudson* (1978) 18 ALR 1, 52 ALJR 399, PC.

4 As to bribes to trustees see para 697 ante.

929. Bargains between trustee and beneficiary. A presumption of undue influence arises in the case of a bargain between a trustee and beneficiary concerning the trust property[1]. Such a bargain will, however, be upheld if it can be shown that the

trustee has made full and frank disclosure of all the relevant facts so that the beneficiary was fully aware of all the circumstances of the transaction and had not been subjected to pressure or any undue influence[2].

1 As to this presumption see EQUITY vol 16(2) (Reissue) paras 417, 419 et seq, 426; MISREPRESENTATION AND FRAUD vol 31 (2003 Reissue) para 839 et seq.
2 As to bargains with beneficiaries see para 944 post.

(ii) Disability to receive Remuneration

930. Trustee's general disentitlement to remuneration. The basic rule is that a trustee is under a duty to act without remuneration[1]: he is not entitled to a salary[2] or to compensation for personal trouble and loss of time[3]. However, in practice, a trustee will in most cases be able to bring himself within one of the exceptions to the rule. He may be entitled under an express or implied direction in the instrument creating the trust[4] or an express order of court[5], or by virtue of an express stipulation on the subject which he has made with a beneficiary before he accepted the trust[6], or where the trust property is in a country in which he is allowed remuneration by the local law[7]. Further, there are statutory provisions under which a judicial trustee[8], the Public Trustee[9] or a trust corporation appointed by the court[10] may be entitled to remuneration, and there are provisions under the Trustee Act 2000 in relation to professional trustees[11].

Where it is by virtue of his position as trustee that a trustee has acquired the position in respect of which he drew the remuneration that he has received, he is not entitled to retain the remuneration[12]. He is, however, entitled to retain remuneration received by virtue of an independent bargain with the firm employing him, and not by virtue of the use of his position as a trustee[13].

1 See *Robinson v Pett* (1734) 3 P Wms 249 at 251.
2 *Taylor v Taylor* (1843) 4 Dr & War 124; *Re Bedingfield, Bedingfield v D'Eye* (1887) 57 LT 332.
3 *How v Godfrey and White* (1678) Cas temp Finch 361; *Bonithon v Hockmore* (1685) 1 Vern 316; *Robinson v Pett* (1734) 3 P Wms 249; *Re Ormsby* (1809) 1 Ball & B 189 at 190; *Pince v Beattie* (1863) 9 Jur NS 1119; *Barrett v Hartley* (1866) LR 2 Eq 789 at 796; *Re Accles Ltd, Hodgson v Accles Ltd* [1902] WN 164. Cf *D'Arcy v O'Kelly* (1921) 55 ILT 48. The fact that the trustee has benefited the trust property to the prejudice of his own affairs cannot be taken into consideration: *Robinson v Pett* supra. He may not charge or take a commission or other remuneration for performing any duty in connection with the trust unless he is specially authorised to do so: *Arnold v Garner* (1847) 2 Ph 231 at 235 per Lord Cottenham LC; *Nicholson v Tutin (No 2)* (1857) 3 K & J 159. As to a trustee who is an auctioneer see *Matthison v Clarke* (1854) 3 Drew 3; *Douglas v Archbutt* (1858) 2 De G & J 148; and AUCTION vol 2(3) (Reissue) para 223. A trustee cannot demand remuneration for past services as a condition of continuing in office: *Foster v Spencer* [1996] 2 All ER 672. As to the right of a constructive trustee to remuneration in some cases see para 937 post.
4 *Ellison v Airey* (1748) 1 Ves Sen 111 at 115 per Lord Eldon LC; *Webb v Earl of Shaftesbury, Earl of Shaftesbury v Arrowsmith* (1802) 7 Ves 480; *Willis v Kibble* (1839) 1 Beav 559; *Re Sherwood* (1840) 3 Beav 338; *Re Thorley, Thorley v Massam* [1891] 2 Ch 613, CA; *Jobson v Palmer* [1893] 1 Ch 71. Where there is a direction as to remuneration in the trust instrument a trustee who acts in breach of trust does not disentitle himself from charging any fees for work properly done: *Hulbert v Avens* [2003] EWHC 76 (Ch), [2003] WTLR 387, [2003] All ER (D) 309 (Jan). Trusteeship is an office, and, where the instrument creating the trust provides for a trustee to be remunerated, it is an office of profit for tax purposes: *Dale v IRC* [1954] AC 11, [1953] 2 All ER 671, HL. As to professional trustees see the Trustee Act 2000 ss 28(4), 33(2); and para 931 post. As to taxation see further INCOME TAXATION. As to the remuneration of trustees for debenture holders see *Re Piccadilly Hotel Ltd, Paul v Piccadilly Hotel Ltd* [1911] 2 Ch 534; *Re Locke and Smith Ltd, Wigan v Locke and Smith Ltd* [1914] 1 Ch 687, CA.
5 *Brocksopp v Barnes* (1820) 5 Madd 90 at 90–91 per Leach V-C; *Marshall v Holloway* (1820) 2 Swan 432 at 453–454; *Bainbrigge v Blair* (1845) 8 Beav 588 at 596–597 per Lord Langdale MR; *Re Freeman's Settlement Trusts* (1887) 37 ChD 148; *Re Bignell, Bignell v Chapman* [1892] 1 Ch 59, CA; *Re Masters, Coutts & Co v Masters* [1953] 1 All ER 19, [1953] 1 WLR 81; *Re Worthington, ex p Leighton v Macleod* [1954] 1 All ER 677, [1954] 1 WLR 526. The court will only allow a trustee remuneration in exceptional cases (*Re Worthington, ex p Leighton v Macleod* supra), for example where his duties have proved unexpectedly

onerous (see *Re Duke of Norfolk's Settlement Trusts, Earl of Perth v Fitzalan-Howard* [1982] Ch 61, [1981] 3 All ER 220, CA; *Foster v Spencer* [1996] 2 All ER 672).

6 *Ayliffe v Murray* (1740) 2 Atk 58 at 59–60 per Lord Hardwicke LC; *Re Accles Ltd, Hodgson v Accles Ltd* [1902] WN 164. If, before accepting the office, a trustee openly tells a beneficiary that he will not act unless the beneficiary will give him a remuneration not contemplated by the terms of the trust, and the beneficiary contracts that he is to have it, the transaction may be upheld: *Ayliffe v Murray* supra. A trustee who has accepted the office without any stipulation on the subject cannot afterwards refuse to continue to act unless he is remunerated, even though, by performing his duties, he has greatly benefited the beneficiaries: *Bainbrigge v Blair* (1845) 8 Beav 588 at 596; *Barrett v Hartley* (1866) LR 2 Eq 789 at 796 per Stuart V-C.

7 *Chambers v Goldwin* (1804) 9 Ves 254 at 267 et seq.

8 See para 764 ante.

9 See paras 790–791 ante.

10 See para 801 ante.

11 See para 931 post.

12 *Re Macadam, Dallow v Codd* [1946] Ch 73, [1945] 2 All ER 664 (where trustees who became directors of a company by exercising a discretionary power under the trust were held accountable to the trust estate for the remuneration received); *Re Keeler's Settlement Trusts, Keeler v Gledhill* [1981] Ch 156, [1981] 1 All ER 888 (although this is no longer authoritative as to future fees, owing to *Re Duke of Norfolk's Settlement Trusts, Earl of Perth v Fitzalan-Howard* [1982] Ch 61, [1981] 3 All ER 220, CA).

13 *Re Lewis, Lewis v Lewis* (1910) 103 LT 495 (where a person who had acted as salesman for a firm at a salary was appointed by his father's will trustee of a share in the firm and was held entitled to retain the salary in addition to certain remuneration which he obtained under the will for acting as managing partner); *Re Gee, Wood v Staples* [1948] Ch 284, [1948] 1 All ER 498 (cited in para 928 note 3 ante). A director of a company who holds his qualification shares as trustee for another company is not accountable to that company for his director's fees: *Re Dover Coalfield Extension Ltd* [1908] 1 Ch 65, CA.

931. Remuneration of professional trustee under the Trustee Act 2000 where there is an express charging clause in the trust instrument. Where there is a provision in the trust instrument[1] entitling a trustee to receive payment out of the trust funds[2] in respect of services provided by him to or on behalf of the trust[3] and the trustee is a trust corporation[4] or is acting in a professional capacity[5], the trustee is to be treated as entitled under the trust instrument to receive payment in respect of services even if they are services which are capable of being provided by a lay trustee[6]. Any payments to which the trustee is entitled in respect of services are to be treated[7] as remuneration for services and not as a gift[8].

These provisions substantially amend the common law rules relating to remuneration[9].

1 For the purposes of the Trustee Act 2000, an enactment or a provision of subordinate legislation is not to be regarded as being, or as being part of, a trust instrument: s 6(2). For the meanings of 'enactment' and 'subordinate legislation' see para 903 note 2 ante.

2 For the meaning of 'trust funds' see para 902 note 1 ante.

3 Trustee Act 2000 s 28(1)(a). Section 28 applies in relation to services provided to or on behalf of, or expenses incurred (on or after its commencement (i e 1 February 2001)) on behalf of, trusts whenever created: s 33(1). It seems that the phrase 'on or after its commencement' applies only to expenses.

4 For the meaning of 'trust corporation' see para 798 ante; definition applied by ibid s 39(1).

5 Ibid s 28(1)(b). For these purposes, a trustee acts in a professional capacity if he acts in the course of a profession or business which consists of or includes the provision of services in connection with:

(1) the management or administration of trusts generally or a particular kind of trust; or

(2) any particular aspect of the management or administration of trusts generally or a particular kind of trust,

and the services he provides to or on behalf of the trust fall within that description: ss 28(5), 39(2).

6 Ibid s 28(2). For these purposes, a person acts as a lay trustee if he is not a trust corporation and does not act in a professional capacity: ss 28(6), 39(2). The provisions of s 28(2)–(4) apply to a trustee except to the extent (if any) to which the trust instrument makes inconsistent provision: see s 28(1). Section 28(2) applies to a trustee of a charitable trust who is not a trust corporation only if he is not a sole trustee, and to the extent that a majority of the other trustees have agreed that it should apply to him: s 28(3). 'Charitable trust' means a trust under which property is held for charitable purposes; and 'charitable purposes' has the same meaning as in the Charities Act 1993 (see CHARITIES vol 5(2) (2001 Reissue) para 1): Trustee Act 2000 s 39(1).

7 Ie for the purposes of the Wills Act 1837 s 15 (as amended) (gifts to an attesting witness to be void: see WILLS vol 50 (2005 Reissue) paras 343, 370) and of the Administration of Estates Act 1925 s 34(3) (order in which estate to be paid out: see EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 410 et seq). Nothing in the Trustee Act 2000 s 28 is to be treated as affecting the operation of the Wills Act 1837 s 15 (as amended) or the Administration of Estates Act 1925 s 34(3) in relation to any death occurring before the commencement of the Trustee Act 2000 s 28 (i e 1 February 2001): s 33(2).
8 Ibid s 28(4).
9 As to the common law rules relating to remuneration see paras 934–935 post.

932. Remuneration of professional trustee under the Trustee Act 2000 where there is no express provision in the trust instrument. Where there is no provision about the entitlement of a trustee to remuneration made by the trust instrument[1] or by any enactment or any provision of subordinate legislation[2], a trustee who is a trust corporation[3], but is not a trustee of a charitable trust[4], is entitled to receive reasonable remuneration[5] out of the trust funds[6] for any services that the trust corporation provides to or on behalf of the trust[7].

A trustee who acts in a professional capacity[8], but who is not a trust corporation, a trustee of a charitable trust or a sole trustee is likewise entitled to receive reasonable remuneration out of the trust funds for any services that he provides to or on behalf of the trust, if each of the other trustees has agreed in writing that he may be remunerated for the services[9].

A trustee is entitled to remuneration under these provisions even if the services in question are capable of being provided by a lay trustee[10].

These provisions apply to a trustee who has been authorised[11] to exercise functions[12] as an agent of the trustees, or to act as a nominee or custodian[13], as they apply to any other trustee[14].

1 Trustee Act 2000 s 29(5)(a). As to the meaning of 'trust instrument' see para 931 note 2 ante.
2 Ibid s 29(5)(b). For the meanings of 'enactment' and 'subordinate legislation' see para 903 note 2 ante.
3 For the meaning of 'trust corporation' see para 798 ante; definition applied by ibid s 39(1).
4 For the meaning of 'charitable trust' see para 931 note 7 ante. As to the remuneration of trustees of charitable trusts see para 933 post.
5 'Reasonable remuneration' means, in relation to the provision of services by a trustee, such remuneration as is reasonable in the circumstances for the provision of those services to or on behalf of the trust by that trustee; and for the purposes of the Trustee Act 2000 s 29(1) includes, in relation to the provision of services by a trustee who is an authorised institution under the Banking Act 1987 and provides the services in that capacity, the institution's reasonable charges for the provision of such services: Trustee Act 2000 s 29(3).
6 For the meaning of 'trust funds' see para 902 note 1 ante.
7 Trustee Act 2000 s 29(1). Section 29 applies in relation to services provided to or on behalf of, or expenses incurred (on or after its commencement (i e 1 February 2001)) on behalf of, trusts whenever created: s 33(1). It seems that the phrase 'on or after its commencement' applies only to expenses. Nothing in s 29 is to be treated as affecting the operation of the Wills Act 1837 s 15 (as amended) (see WILLS vol 50 (2005 Reissue) paras 343, 370) or the Administration of Estates Act 1925 s 34(3) (see EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 410 et seq) in relation to any death occurring before the commencement of the Trustee Act 2000 s 29 (i e 1 February 2001): s 33(2).
8 As to a trustee acting in a professional capacity see para 931 note 5 ante.
9 Trustee Act 2000 s 29(2).
10 Ibid s 29(4). For the meaning of 'lay trustee' see para 931 note 6 ante.
11 Ie under a power conferred by ibid Pt IV (ss 11–27) (see para 988 et seq post) or the trust instrument.
12 For the meaning of 'functions' see para 903 note 1 ante.
13 For the meaning of 'custodian' see para 991 note 4 post.
14 Trustee Act 2000 s 29(6). As to the remuneration of agents, nominees and custodians see para 933 post.

933. Remuneration of trustees of charitable trusts under the Trustee Act 2000. The Secretary of State[1] may by regulations[2] make provision for the remuneration of trustees of charitable trusts[3] who are trust corporations[4] or act in a professional capacity[5]. This power includes power to make provision for the

remuneration of a trustee who has been authorised[6] to exercise functions[7] as an agent of the trustees or to act as a nominee or custodian[8].

1 As to the Secretary of State see para 794 note 36 ante.
2 Regulations made under the Trustee Act 2000 s 30 may make different provision for different cases, and may contain such supplemental, incidental, consequential and transitional provision as the Secretary of State considers appropriate: s 30(3). The power to make regulations under s 30 is exercisable by statutory instrument, but no such instrument is to be made unless a draft of it has been laid before Parliament and approved by a resolution of each House of Parliament: s 30(4). At the date at which this volume states the law no such regulations had been made.
3 For the meaning of 'charitable trust' see para 931 note 6 ante.
4 For the meaning of 'trust corporation' see para 798 ante.
5 Trustee Act 2000 s 30(1).
6 Ie under a power conferred by ibid Pt IV (ss 11–27) (see para 988 et seq post) or any other enactment or any provision of subordinate legislation, or by the trust instrument.
7 For the meaning of 'functions' see para 903 note 1 ante.
8 Trustee Act 2000 s 30(2). For the meaning of 'custodian' see para 885 note 4 post. As to the remuneration of agents, nominees and custodians see para 903 post.

934. Position in relation to remuneration where unavailable under Trustee Act 2000. Where there is no right to remuneration under the Trustee Act 2000 and there is no express provision for remuneration in the trust instrument[1] a trustee is unable to receive remuneration even where the trustee acts as a solicitor or in some other professional capacity[2], or where he carries on or transacts a trade or business in connection with and for the benefit of the trust[3]. It extends to the firm of the professional trustee and to his partners individually[4], unless the trustee arranges that the partner employed is alone to be entitled to the remuneration[5]. The rule also extends to executors and to trustees not holding on an express trust[6]. It does not, however, apply to the costs of a solicitor-trustee acting in legal proceedings for himself and his co-trustees jointly, or for himself and his beneficiaries[7], or where he acts separately for a person to whom trust money is lent on mortgage[8], or as between him and a stranger who unsuccessfully brings an adverse claim against the trust[9].

1 See para 930 et seq ante.
2 *New v Jones* (1833) 1 Mac & G 668 note (d); *Moore v Frowd* (1837) 3 My & Cr 45; *Fraser v Palmer* (1841) 4 Y & C Ex 515; *Bainbrigge v Blair* (1845) 8 Beav 588; *Stanes v Parker* (1846) 9 Beav 385 at 389 per Lord Langdale MR; *Todd v Wilson* (1846) 9 Beav 486; *Gomley v Wood* (1846) 3 Jo & Lat 678; *Re Wyche* (1848) 11 Beav 209; *Cradock v Piper* (1850) 1 Mac & G 664; *Lincoln v Windsor* (1851) 9 Hare 158; *Broughton v Broughton* (1855) 5 De GM & G 160; *Re Barber, Burgess v Vinicome* (1886) 34 ChD 77; *Re Worthington, ex p Leighton v Macleod* [1954] 1 All ER 677, [1954] 1 WLR 526. As to remuneration under the Trustee Act 2000 see para 931 et seq post.
3 *Burden v Burden* (1813) 1 Ves & B 170; *Stocken v Dawson* (1843) 6 Beav 371; *Barrett v Hartley* (1866) LR 2 Eq 789; *Re Norrington, Brindley v Partridge* (1879) 13 ChD 654 at 662–663 per Bacon V-C.
4 *Christophers v White* (1847) 10 Beav 523; *Broughton v Broughton* (1855) 5 De GM & G 160; *Re Corsellis, Lawton v Elwes* (1887) 34 ChD 675, CA; *Re Gates, Arnold v Gates* [1933] Ch 913; *Re Hill, Claremont v Hill* [1934] Ch 623, CA (where the solicitor-trustee was a partner in a firm at a fixed salary payable out of the partnership profits). The principle also extends to any profit made by the solicitor-trustee under a contract for the employment of another solicitor to act for him on agency terms: see SOLICITORS vol 44(1) (Reissue) para 128. Where, however, the partner of a solicitor-trustee was appointed steward of a manor forming part of the trust estate, the firm was not accountable to the trust estate for fees received by him for manorial business and brought into the partnership accounts, since they were received by him as steward and not as a solicitor: *Re Corsellis, Lawton v Elwes* supra.
5 *Clack v Carlon* (1861) 7 Jur NS 441; *Re Doody, Hibbert v Lloyd* [1893] 1 Ch 129, CA. A solicitor-trustee who, in a trust matter, employs his firm (as opposed to one or more of his partners) is under the general disability in respect of profit costs, even though there is an agreement that the solicitor-trustee is not to share in the profit costs: *Re Gates, Arnold v Gates* [1933] Ch 913. If a solicitor-trustee agrees with a partner in his firm to transact the trust business on the footing that the partner alone is entitled to the remuneration, the agreement is good, even though it is not in writing: *Re Gates, Arnold v Gates* supra at 919 per Clauson J.

6 *Carmichael v Willson* (1830) 4 Bli NS 145, HL; *Pollard v Doyle, Kearns v Doyle* (1860) 1 Drew & Sm 319; *Macartney v Dickey* (1865) 16 I Ch R 409. See also EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 40. For cases where a constructive trustee may be entitled to remuneration see para 937 post.
7 *Cradock v Piper* (1850) 1 Mac & G 664; *Lincoln v Windsor* (1851) 9 Hare 158. See also SOLICITORS vol 44(1) (Reissue) para 146.
8 *Whitney v Smith* (1869) 4 Ch App 513.
9 *Pince v Beattie* (1863) 9 Jur NS 1119.

935. Effect of an express declaration in a will as to remuneration where death occurred before commencement of Trustee Act 2000. The creator of a trust may expressly declare that a trustee who is a solicitor or acts in some other professional character is to receive his usual professional remuneration for so acting[1]. For deaths occurring prior to 1 February 2001 such a declaration in a will amounts to a legacy to the trustee[2]; it is, therefore, void if he is an attesting witness to the will[3], and does not take effect if the testator's estate is insolvent[4], although it operates notwithstanding the bequest of a legacy to the trustee conditionally upon his accepting the trust[5]. The declaration does not authorise charges for services not strictly professional[6] unless expressly so worded[7].

1 *Christophers v White* (1847) 10 Beav 523 at 524 per Lord Langdale MR; *Douglas v Archbutt* (1858) 2 De G & J 148; *Re Fish, Bennett v Bennett* [1893] 2 Ch 413, CA; *Re Webb, Lambert v Still* [1894] 1 Ch 73, CA. Where in a will appointing professional trustees there was a provision entitling trustees to receive their ordinary professional charges, another professional trustee substituted by codicil was held entitled to the benefit of the provision: *Re Campbell* [1954] 1 All ER 448, [1954] 1 WLR 516. As to trust corporations appointed by a settlor or testator see paras 800–802 ante. As to remuneration under the Trustee Act 2000 see para 931 post.
2 For the position in the case of deaths on or after 1 February 2001 (i e the commencement of the Trustee Act 2000) see para 931 ante.
3 *Re Pooley* (1888) 40 ChD 1, CA; *Re White, Pennell v Franklin* [1898] 2 Ch 217, CA; *Re Brown, Wace v Smith* [1918] WN 118. It is, however, earned income for tax purposes (*Dale v IRC* [1954] AC 11, [1953] 2 All ER 671, HL); and it is not regarded as a beneficial interest in relation to the principle laid down in *Chapman v Chapman* [1954] AC 429, [1954] 1 All ER 798, HL, as to the general inability of the court under its inherent jurisdiction to vary beneficial interests (*Re Duke of Norfolk's Settlement Trusts, Earl of Perth v Fitzalan-Howard* [1982] Ch 61, [1981] 3 All ER 220, CA). As to the court's inherent jurisdiction to vary trusts see para 1060 post. An attesting witness who becomes a trustee of a will under an appointment of a new trustee made after the will has come into effect is not, however, debarred from benefiting from the provisions in the will entitling trustees to remuneration: *Re Royce's Will Trusts, Tildesley v Tildesley* [1959] Ch 626, [1959] 3 All ER 278, CA. As to attestation of a will see WILLS vol 50 (2005 Reissue) para 362 et seq.
4 *Re White, Pennell v Franklin* [1898] 2 Ch 217, CA. Where the estate is insufficient to pay general legacies in full, such a legacy abates with other general legacies and has no priority: *O'Higgins v Walsh* [1918] 1 IR 126; *Re Brown, Wace v Smith* (1918) 62 Sol Jo 487.
5 *Re Fish, Bennett v Bennett* [1893] 2 Ch 413, CA.
6 *Harbin v Darby* (1860) 28 Beav 325; *Re Chapple, Newton v Chapman* (1884) 27 ChD 584; *Re Chalinder and Herington* [1907] 1 Ch 58.
7 *Re Ames, Ames v Taylor* (1883) 25 ChD 72; *Clarkson v Robinson* [1900] 2 Ch 722. As to the construction of such a declaration and the effect thereon of the trustee's retirement from private practice see *Glenister v Moody* [2003] EWHC 3155 (Ch), [2003] All ER (D) 242 (Nov). A paid trustee is expected to exercise a higher standard of diligence and knowledge than an unpaid trustee: *Re Waterman's Will Trusts, Lloyds Bank Ltd v Sutton* [1952] 2 All ER 1054 at 1055 per Harman J; *Barlett v Barclays Bank Trust Co Ltd* [1980] Ch 515, [1980] 1 All ER 139.

936. Amount of remuneration. Unless specially authorised to do so, the trustees cannot bind the beneficiaries as to the amount of the remuneration to be paid to a solicitor-trustee or to an independent solicitor[1]; and a solicitor-trustee ought to inform the beneficiaries of their right to have his bill taxed[2]. The court has inherent jurisdiction to increase the amount of remuneration already allowed by the trust instrument if it concludes that this would be in the interests of the beneficiaries, having regard to the

nature of the trust, to the experience and skill of a particular trustee and to the amounts which he seeks to charge when compared with what other trustees might require to be paid for their services, and to all the other circumstances of the case[3].

1 *Re Fish, Bennett v Bennett* [1893] 2 Ch 413, CA; *Re Wellborne* [1901] 1 Ch 312, CA. A beneficiary has an absolute right, at his own risk as to costs, to have the accounts investigated and the charges gone into: *Re Fish, Bennett v Bennett* supra; *Re Wells, Wells v Wells* [1962] 2 All ER 826, [1962] 1 WLR 874, CA. In a claim by beneficiaries alleging that professional trustees of an instrument containing a charging clause have received excessive remuneration, the trustees, not having delivered any itemised particulars of charges, are not entitled to claim particulars of what would have been reasonable remuneration: *Re Wells, Wells v Wells* supra.

2 *Re Webb, Lambert v Still* [1894] 1 Ch 73, CA. See also *Allen v Jarvis* (1869) 4 Ch App 616. As to the amount of remuneration payable under a charging clause in a will where a company appointed trustee had different English and Canadian scales of remuneration see *Re Sandys' Will Trust, Sandys v Kirton* [1947] 2 All ER 302, CA.

3 *Re Duke of Norfolk's Settlement Trusts, Earl of Perth v Fitzalan-Howard* [1982] Ch 61, [1981] 3 All ER 220, CA. See also *Re Keeler's Settlement Trusts, Keeler v Gledhill* [1981] Ch 156, [1981] 1 All ER 888; *Re Berkeley Applegate (Investment Consultants) Ltd (in liquidation), Harris v Conway* [1989] Ch 32, [1988] 3 All ER 71.

937. Remuneration of constructive trustee. A constructive trustee may be entitled to an allowance or remuneration in respect of the time and trouble expended by him on property of which he is rightfully in possession but of which he is in equity a constructive trustee[1].

1 *Brown v Litton* (1711) 1 P Wms 140; *Brown v De Tastet* (1819) Jac 284; *Wedderburn v Wedderburn (No 4)* (1856) 22 Beav 84; *Boardman v Phipps* [1967] 2 AC 46, [1966] 3 All ER 721, HL; *Re Berkeley Applegate (Investment Consultants) Ltd (in liquidation), Harris v Conway* [1989] Ch 32, [1988] 3 All ER 71.

(iii) Disability to acquire Trust Property

938. Trustee's disability to purchase trust property (the 'self-dealing rule'). Except by statute[1], or under an express authority contained in the instrument creating the trust[2], under an order of a court of competent jurisdiction[3] or with the consent of all the beneficiaries[4], a person who is a trustee of, or has a power of sale over, trust property cannot effectively purchase it from himself since he cannot at the same time occupy the two positions of vendor and purchaser[5]; and one of several such persons cannot effectively purchase it from the others[6]. Any such purchase is automatically voidable at the instance of any beneficiary no matter how honest and fair the purchase may be[7]. If a trustee desires to purchase trust property, he must first be discharged from his trusteeship[8]; and even then, in order that the transaction may be unimpeachable, it must be clear that, in purchasing it, he is not taking an advantage of knowledge which he has acquired in respect of it during his trusteeship[9]. Moreover, he cannot sell the property to himself jointly with others, or to a trustee for himself[10], or to another person with a view to its resale to himself[11], although, if the sale is in all respects in good faith, he may sell to the trustees of his marriage settlement[12] or to a joint stock company in which he is a shareholder[13]. Similarly, a trustee of land who acquires and exercises a right of pre-emption conferred by the relevant trust instrument cannot purchase for himself if the purchase would involve a conflict of duty and interest[14].

1 See e g the Settled Land Act 1925 s 68 (as amended); and SETTLEMENTS vol 42 (Reissue) paras 878–879. With limited exceptions, it is no longer possible to create new settlements under the Settled Land Act 1925: see the Trusts of Land and Appointment of Trustees Act 1996 s 2; and para 601 note 6 ante. See also para 724 ante. See further the Intestates' Estates Act 1952 s 5, Sch 2 para 5(1) (as amended); and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 593.

2 See *Sergeant v National Westminster Bank plc* (1990) 61 P & CR 518, CA; and para 697 ante. The articles of association of a company may exclude liability for a breach of the self-dealing rule (see note 5 infra)

without also excusing a breach of the duty of loyalty: *Gwembe Valley Development Co Ltd v Koshy (No 3)* [2003] EWCA Civ 1048 at [54], [2004] 1 BCLC 131 at [54] per Mummery LJ.

3 *Campbell v Walker* (1800) 5 Ves 678 at 681 per Arden MR; *Farmer v Dean* (1863) 32 Beav 327; *Tennant v Trenchard* (1869) 4 Ch App 537 at 547 per Lord Hatherley LC. See also MORTGAGE vol 32 (2005 Reissue) para 769.

4 As to the purchase of trust property with the consent of all the beneficiaries see para 945 post; and EQUITY vol 16(2) (Reissue) para 857.

5 *Whelpdale v Cookson* (1747) 1 Ves Sen 9; *Mackreth v Fox* (1791) 4 Bro Parl Cas 258, HL; *Ex p Lacey* (1802) 6 Ves 625 at 626 per Lord Eldon LC; *Ex p James* (1803) 8 Ves 337; *Randall v Errington* (1805) 10 Ves 423; *Downes v Grazebrook* (1817) 3 Mer 200; *Re Bloye's Trust* (1849) 1 Mac & G 488 at 495 et seq per Lord Cottenham LC; *Knight v Marjoribanks* (1849) 2 Mac & G 10 at 12; *Lewis v Hillman* (1852) 3 HL Cas 607; *Denton v Donner* (1856) 23 Beav 285 at 290 per Romilly MR; *Plowright v Lambert* (1885) 52 LT 646 at 652 per Field J; *Beningfield v Baxter* (1886) 12 App Cas 167, PC; *Silkstone and Haigh Moor Coal Co v Edey* [1900] 1 Ch 167. The rule that, where a trustee purchases trust property from himself, any beneficiary may have the sale set aside, however fair the transaction, has been called the 'self-dealing rule': see *Tito v Waddell (No 2)* [1977] Ch 106 at 225, 241, [1977] 3 All ER 129 at 228, 241 per Megarry V-C. The rule also applies to a trustee who concurs in a transaction in which he has an interest and which cannot be carried into effect without his concurrence: *Re Thompson's Settlement, Thompson v Thompson* [1986] Ch 99, [1985] 2 All ER 720; and see *Hillsdown Holdings plc v Pensions Ombudsman* [1997] 1 All ER 862. Cf *Kane v Radley-Kane* [1999] Ch 274, [1998] 3 All ER 753, where it was held to be a breach of the self-dealing rule for a sole personal representative of an intestate estate to appropriate to herself unquoted shares in satisfaction of her statutory legacy, unless she had been authorised to do so by the other beneficiaries, or the court had sanctioned the appropriation; applied in *Fazio v Rush* [2002] All ER (D) 392 (Jul).

6 *Whichcote v Lawrence* (1798) 3 Ves 740; *Ex p Reynolds* (1800) 5 Ves 707; *Morse v Royal* (1806) 12 Ves 355 at 372 per Lord Erskine LC; *Re Norrington, Brindley v Partridge* (1879) 13 ChD 654.

7 *Ex p James* (1803) 8 Ves 337; *Holder v Holder* [1968] Ch 353 at 397–398, [1968] 1 All ER 665 at 677, CA. However, in *Holder v Holder* supra the Court of Appeal uniquely refused to set aside a purchase by a beneficiary who had been appointed executor and trustee (with two others) of a will but who had renounced his office after taking some minor incidental steps in administering the estate which were conceded to render his renunciation ineffective. He was tenant of a farm comprised in the estate and purchased the freehold at auction. The court stressed that he had played no real part in the administration of the estate and had not been involved in instructing valuers and arranging the auction sale and so was not both vendor and purchaser, any special knowledge he had being acquired as tenant, and the beneficiaries knew he was a prospective purchaser and did not look to him to protect their interests.

8 *Campbell v Walker* (1800) 5 Ves 678 at 681 per Arden MR; *Ex p Lacey* (1802) 6 Ves 625 at 626–627; *Ex p James* (1803) 8 Ves 337 at 348; *Downes v Grazebrook* (1817) 3 Mer 200 at 208 per Lord Eldon LC; *Re Boles and British Land Co's Contract* [1902] 1 Ch 244. If the trustee desires to purchase, and is willing to give more for the property than anyone else, he should apply to a court of competent jurisdiction which would then assume conduct of the sale divesting him of his character of trustee in respect of it, and authorising him to bid at it: *Campbell v Walker* supra at 681 per Arden MR.

9 *Ex p Lacey* (1802) 6 Ves 625 at 626–627; *Holder v Holder* [1968] Ch 353 at 397–398, [1968] 1 All ER 665 at 677, CA.

10 *Downes v Grazebrook* (1817) 3 Mer 200; *Robertson v Norris* (1857) 1 Giff 421 (affd (1858) 4 Jur NS 443); *Farrar v Farrars Ltd* (1888) 40 ChD 395 at 409, CA, per Lindley LJ. There is no absolute rule precluding the wife of a trustee purchasing from the trustees: *Burrell v Burrell's Trustees* 1915 SC 333, Ct of Sess; *Tanti v Carlson* [1948] VLR 401 (where, however, the opinion was expressed that the special nature of the matrimonial relationship renders such a transaction open to suspicion, the court presuming that the sale is for the benefit of the trustee and requiring evidence to rebut this presumption); *Re King's Will Trust, Newman v Andrews* (1959) 173 Estates Gazette 627; *Tito v Waddell (No 2)* [1977] Ch 106 at 241, [1977] 3 All ER 129 at 241, per Megarry V-C.

11 *Sanderson v Walker, Campbell v Walker* (1807) 13 Ves 601; *Cook v Collingridge* (1823) Jac 607.

12 *Hickley v Hickley* (1876) 2 ChD 190.

13 *Farrar v Farrars Ltd* (1888) 40 ChD 395, CA. It is otherwise where the trustee is a director: *Re Thompson's Settlement, Thompson v Thompson* [1986] Ch 99, [1985] 2 All ER 720.

14 *Wright v Morgan* [1926] AC 788, PC (where the price was to be fixed by valuation, although it was up to the trustees to decide when the land was first to be offered for sale). A person who subsequently becomes a trustee is not, however, precluded from exercising a right of pre-emption contained in a contract made before the fiduciary relationship arose: *Re Mulholland's Will Trusts, Bryan v Westminster Bank Ltd* [1949] 1 All ER 460.

939. Solicitor or agent of trustee. The disability to purchase the trust property extends to a person who is the solicitor or agent of a trustee and is employed by the trustee in connection with the sale of the trust property[1].

1 *Twining v Morrice* (1788) 2 Bro CC 326; *York Buildings Co v Mackenzie* (1795) 8 Bro Parl Cas 42; *Ex p Bennett* (1805) 10 Ves 381; *Whitcomb v Minchin* (1820) 5 Madd 91; *Re Bloye's Trust* (1849) 1 Mac & G 488 at 494 et seq per Lord Cottenham LC; *Lewis v Hillman* (1852) 3 HL Cas 607; *Cookson v Lee* (1853) 23 LJ Ch 473; *Spring v Pride* (1864) 4 De GJ & SM 395; *King v Anderson* (1874) IR 8 Eq 625, Ir CA; *Martinson v Clowes* (1882) 21 ChD 857 (on appeal (1885) 52 LT 706, CA); *Luddy's Trustee v Peard* (1886) 33 ChD 500; *Farrar v Farrars Ltd* (1888) 40 ChD 395 at 409, CA, per Lindley LJ. Where a sale by trustees for sale to their solicitors was set aside, a mortgage of the property by the solicitors to persons who had constructive notice of the circumstances of the sale was also set aside: *Cookson v Lee* (1853) 23 LJ Ch 473. Trusts for sale of land are now subsumed under trusts of land: see para 605 note 5 ante. See also para 724 ante.

940. Repurchase by a trustee for himself. After selling trust property to an independent person under a trust of land, a trustee cannot repurchase it for himself so long as the contract for sale to that person remains executory and he has power either to enforce it or to rescind or alter it[1]. A subsequent repurchase by a trustee after a sale in good faith to a third person and the lapse of a considerable period will not, however, be set aside on the ground that, when he sold the property, he hoped to repurchase it for himself at some future time[2].

1 *Parker v McKenna* (1874) 10 Ch App 96 at 125, CA, per Mellish LJ; *Williams v Scott* [1900] AC 499, PC; *Delves v Gray* [1902] 2 Ch 606. These cases involved a trust for sale, but it is thought that the same principles would apply to a trust of land under the Trusts of Land and Appointment of Trustees Act 1996. A trust for sale of land is now subsumed under a trust of land: see ss 1, 4, 5; para 605 note 5 ante; and REAL PROPERTY vol 39(2) (Reissue) para 66. For the meaning of 'trust of land' see para 605 note 5 ante.

A trustee may not repurchase if there has been some previous agreement or understanding between himself and the purchaser as to the subsequent purchase: see *Parker v McKenna* supra at 126.

2 *Baker v Peck* (1861) 9 WR 472, CA; *Re Postlethwaite, Postlethwaite v Rickman* (1888) 37 WR 200, CA; cf *Hurrell v Littlejohn* [1904] 1 Ch 689.

941. Trustee otherwise than for sale. A trustee for purposes other than sale cannot purchase the property where the purchase would conflict with his duties respecting it or his position in regard to it[1].

1 *Parkes v White* (1805) 11 Ves 209 at 232 et seq per Lord Eldon LC. See also EQUITY vol 16(2) (Reissue) para 857. In connection with trust property trustees must put their own interest entirely out of the question, and this is so difficult in a transaction in which they are dealing with themselves that the court at once and without inquiry decides that such a transaction cannot stand: *Cook v Collingridge* (1823) Jac 607 at 621 per Lord Eldon LC. The disability to purchase extends to a trustee who has completed his active duties in respect of the property and has become a bare trustee (see para 755 ante) in relation to it (*Ex p Bennett* (1805) 10 Ves 381), but it does not extend to a trustee who has had no active duties in connection with the property, such as formerly a trustee to preserve contingent remainders (*Pooley v Quilter* (1858) 4 Drew 184 at 189 per Kindersley V-C), or a person who was named as a trustee but who disclaimed or never acted (*Mackintosh v Barber* (1822) 1 Bing 50; *Stacey v Elph* (1833) 1 My & K 195; *Clark v Clark* (1884) 9 App Cas 733, PC). See also EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 45. It is thought that there is no objection to a person who is a trustee of a settlement within the Settled Land Act 1925 purchasing the settled land or any part of it from the tenant for life. With limited exceptions, it is no longer possible to create new settlements under the Settled Land Act 1925: see the Trusts of Land and Appointment of Trustees Act 1996 s 2; and para 601 note 6 ante. See also para 724 ante.

942. Setting aside a purchase by a trustee. A purchase by a trustee can be set aside against a subsequent purchaser from him with notice[1]. A purchase by a trustee is not, however, set aside by a court of equity if there has been delay or acquiescence on the part of the beneficiary or subsequent dealings by him on the footing of its having taken place[2]. Where it is set aside at the instance of all the beneficiaries, the property will be ordered to be reconveyed in consideration of the payment to the trustee of the price

at which he bought, with interest[3]; while the trustee, or any purchaser from the trustee with notice, accounts for the rents and profits since the purchase by the trustee, but without interest on it, or, if he has been in actual possession, is charged with an occupation rent[4]. In addition to his purchase money, the trustee will be entitled to an allowance with interest for improvements and repairs made by him which are substantial and lasting[5], or tend to enhance the price of the property on a resale[6]; and, if he has done anything to deteriorate its value, the amount of the deterioration will be deducted from what he receives[7].

If the beneficiaries are not agreed in requiring a reconveyance, the property will be resold under the direction of the court[8]. In this case it is put up at a sum representing the price at which the trustee purchased it[9], together with the value of any repairs and improvements made by him[10], and, if a higher sum is offered, it is sold for that figure, but, if not, the trustee is held to his purchase[11].

If, before the transaction is impeached, the trustee has resold the property to a purchaser for valuable consideration without notice[12], the beneficiary may require the trustee to account for the difference in the price, with interest[13], or the difference between the sum paid by the trustee for the property and its real value[14].

1 *Cookson v Lee* (1853) 23 LJ Ch 473; *Aberdeen Town Council v Aberdeen University* (1877) 2 App Cas 544, HL. If the trustee has resold at a profit, the beneficiaries may adopt the sale and recover the profit: see *Baker v Carter* (1835) 1 Y & C Ex 250.

2 *Randall v Errington* (1805) 10 Ves 423 at 427 per Grant MR; *Gregory v Gregory* (1815) Coop G 201 at 205 per Grant MR (affd (1821) Jac 631); *Roberts v Tunstall* (1845) 4 Hare 257; *Re Worssam, Hemery v Worssam* (1882) 51 LJ Ch 669; *Holder v Holder* [1968] Ch 353, [1968] 1 All ER 665, CA.

3 A rate of 5% was ordered in *Holder v Holder* [1968] Ch 353 at 374, [1966] 2 All ER 116 at 130; revsd [1968] Ch 353, [1968] 1 All ER 665, CA. The rate will not necessarily be the same today.

4 *York Buildings Co v Mackenzie* (1795) 8 Bro Parl Cas 42, HL; *Macartney v Blackwood* (1795) Ridg L & S 602; *Ex p James* (1803) 8 Ves 337 at 351; *Smedley v Varley* (1857) 23 Beav 358 at 359; *Silkstone and Haigh Moor Coal Co v Edey* [1900] 1 Ch 167; *Wright v Morgan* [1926] AC 788, PC; *Holder v Holder* [1968] Ch 353 at 370–371, 373–375 (on appeal [1968] Ch 353 at 389, [1968] 1 All ER 665 at 669, CA, where the form of order was approved obiter by Harman LJ, although the appeal was allowed). If a trustee specifically devises trust property that he has purchased and the purchase is set aside, the specific devisee, not the residuary legatee, takes the repaid purchase money: *Re Sherman, Re Walters, Trevenen v Pearce* [1954] Ch 653, [1954] 1 All ER 893.

5 *York Buildings Co v Mackenzie* (1795) 8 Bro Parl Cas 42 at 71, HL; *Re Dumbell, ex p Hughes, ex p Lyon* (1802) 6 Ves 617; *Ex p Bennett* (1805) 10 Ves 381 at 400 per Lord Eldon LC; *King v Anderson* (1874) IR 8 Eq 625 at 639, Ir CA.

6 *Ex p Bennett* (1805) 10 Ves 381 at 400.

7 *Ex p Bennett* (1805) 10 Ves 381 at 401.

8 *Campbell v Walker* (1800) 5 Ves 678; *Lister v Lister* (1802) 6 Ves 631.

9 *Lister v Lister* (1802) 6 Ves 631.

10 *Re Dumbell, ex p Hughes, ex p Lyon* (1802) 6 Ves 617 at 625; *Robinson v Ridley* (1821) 6 Madd 2.

11 *Ex p Reynolds* (1800) 5 Ves 707; *Ex p Lacey* (1802) 6 Ves 625; *Lister v Lister* (1802) 6 Ves 631; *Holder v Holder* [1968] Ch 353 at 370–371, 373–375 (on appeal [1968] Ch 353 at 389, [1968] 1 All ER 665 at 669, CA, where this was approved obiter, although the appeal was allowed).

12 As to the acquisition of trust property without notice of the trust see para 699 ante.

13 *Hall v Hallet* (1784) 1 Cox Eq Cas 134 at 138; *Mackreth v Fox* (1791) 4 Bro Parl Cas 258, HL; *Whichcote v Lawrence* (1798) 3 Ves 740; *Ex p Reynolds* (1800) 5 Ves 707; *Baker v Carter* (1835) 1 Y & C Ex 250 at 252. As to the rate of interest see note 3 supra.

14 *Mackreth v Fox* (1791) 4 Bro Parl Cas 258, HL; *Lord Hardwicke v Vernon* (1799) 4 Ves 411; *Baker v Carter* (1835) 1 Y & C Ex 250 at 252.

943. Leases and mortgages to trustees. A lease may be granted in writing by two or more trustees to one of them, or, where there are more than two trustees, to some of them, and is effective to pass the legal estate[1], but in general[2] it is not binding in equity and is liable to be set aside[3]. Trustees who have power to mortgage the trust property[4] may exercise that power, subject to the terms of the trust instrument, by way

of mortgage to one of their number on fair terms, and the trustee-mortgagee can subsequently exercise his powers as mortgagee adversely to the trust[5].

1 See the Law of Property Act 1925 ss 72(4), 205(1)(ii); and *Rye v Rye* [1962] AC 496, [1962] 1 All ER 146, HL. The Law of Property Act 1925 s 72(3) (see REAL PROPERTY) does not, however, enable a single trustee to grant a lease to himself, and neither s 72(3) nor s 72(4) enables two or more trustees to grant a lease to the whole of their number: see *Rye v Rye* supra.
2 As to the power conferred on the trustees of a settlement to lease land to the tenant for life, notwithstanding that he is one of the trustees, see SETTLEMENTS vol 42 (Reissue) para 878.
3 See the Law of Property Act 1925 s 72(4) proviso; and *Re Dumbell, ex p Hughes, ex p Lyon* (1802) 6 Ves 617 at 622 per Lord Eldon LC. See also *Re John's Assignment Trusts, Niven v Niven* [1970] 2 All ER 210n at 214n, [1970] 1 WLR 955 at 960.
4 As to the general power to raise money by mortgage see the Trustee Act 1925 s 16; and para 1055 post.
5 *A-G v Hardy* (1851) 1 Sim NS 338; *Re Mason's Orphanage and London and North Western Rly Co* [1896] 1 Ch 54 at 59 per Stirling J. It is open to question whether this principle applies to private trusts where trustees must act unanimously (unless authorised to act by a majority) as opposed to charitable trusts where trustees can act by a majority: see Underhill and Hayton *Law relating to Trusts and Trustees* (17th Edn, 2007) p 813.

(iv) Bargains with Beneficiaries

944. Bargains to prejudice of beneficiary. A bargain or arrangement between a trustee and a beneficiary with reference to the trust property by which the interest of the beneficiary in that trust property is in any way prejudiced is liable to be set aside unless it can be shown that the beneficiary, in concurring in it, was fully aware of all the circumstances of the case and had not been subjected to any pressure or undue influence[1].

1 *Fine Industrial Commodities Ltd v Powling* (1954) 71 RPC 253 at 262. See also *Hylton v Hylton* (1754) 2 Ves Sen 547; *Aberdeen Rly Co v Blaikie Bros* (1854) 1 Macq 461, HL; *Ellis v Barker* (1871) 7 Ch App 104; *Costa Rica Rly Co Ltd v Forwood* [1901] 1 Ch 746 at 760–761, CA, per Vaughan Williams LJ. As to undue influence see EQUITY vol 16(2) (Reissue) para 417; MISREPRESENTATION AND FRAUD vol 31 (2003 Reissue) para 839 et seq. In order to be impeachable the transaction must be connected with the trust, and the rule does not extend to dealings between a mortgagee and a mortgagor: *Knight v Marjoribanks* (1849) 2 Mac & G 10. A dealing of a trustee with a beneficiary may be upheld if it is fair in all respects, and it is clear that he knew his rights and that the facts were correctly represented to him: *Luther v Bianconi* (1860) 10 I Ch R 194 at 200 per Brady LC. A trustee may take from a beneficiary to whom he lends money a mortgage of the equitable share or interest of that beneficiary in the trust property and may avail himself of the legal estate as a protection against a prior incumbrance of which he had no notice: *Phipps v Lovegrove, Prosser v Phipps* (1873) LR 16 Eq 80 at 88 per James LJ; *Newman v Newman* (1885) 28 ChD 674. See also CHOSES IN ACTION vol 6 (2003 Reissue) para 66; EQUITY vol 16(2) (Reissue) para 573. As to the validity of gifts from a beneficiary to a trustee see MISREPRESENTATION AND FRAUD vol 31 (2003 Reissue) para 848.

945. Purchase by trustee of trust property with beneficiaries' consent. A trustee may purchase the trust property if he has the consent of all the beneficiaries and if he shows: (1) that he has taken no advantage of his position; and (2) that the beneficiaries were fully informed and received full value[1]. It is sensible to ensure that the beneficiaries obtain independent professional advice[2].

The same principle applies to constructive trustees or trustees de son tort[3] and to solicitors and agents and other persons in a fiduciary position to the vendor[4]. The principle does not, however, apply to purchases by a mortgagee from a mortgagor[5].

1 *Gibson v Jeyes* (1801) 6 Ves 266; *Ex p Lacey* (1802) 6 Ves 625; *Morse v Royal* (1806) 12 Ves 355; *Denton v Donner* (1856) 23 Beav 285; *Dover v Buck* (1865) 5 Giff 57; *Thomson v Eastwood* (1877) 2 App Cas 215, HL; *Williams v Scott* [1900] AC 499 at 503, PC; *Dougan v Macpherson* [1902] AC 197, HL; *Holder v Holder* [1968] Ch 353, [1968] 1 All ER 665, CA; *Tito v Waddell (No 2)* [1977] Ch 106 at 225, 241, [1977] 3 All ER 129 at 228, 241.
2 *Luff v Lord* (1864) 34 Beav 220 at 228 (affd (1865) 11 LT 695); *Plowright v Lambert* (1885) 52 LT 646 at 651. Independent legal advice may not be essential in all cases: *Readdy v Pendergast* (1886) 55 LT 767 at

768 per Kekewich J. See also *Inche Noriah v Shaik Allie Bin Omar* [1929] AC 127 at 135, PC; *Re Brocklehursts' Estate, Hall v Roberts* [1978] Ch 14, [1978] 1 All ER 767, CA. Cf EQUITY vol 16(2) (Reissue) para 422.

3 *Plowright v Lambert* (1885) 52 LT 646. As to trustees de son tort generally see paras 698 ante, 1056, 1088 post.

4 *Gibson v Jeyes* (1801) 6 Ves 266; *Holman v Loynes* (1854) 4 De GM & G 270; *Spencer v Topham* (1856) 22 Beav 573; *Johnson v Fesemeyer* (1858) 3 De G & J 13; *Tate v Williamson* (1866) 2 Ch App 55; *Cockburn v Edwards* (1881) 18 ChD 449 at 455, CA, per Jessel MR; *Luddy's Trustee v Peard* (1886) 33 ChD 500; *Barron v Willis* [1900] 2 Ch 121, CA (affd sub nom *Willis v Barron* [1902] AC 271, HL). Those persons include counsel in relation to their clients: *Carter v Palmer* (1841) 8 Cl & Fin 657, HL. Purchases by such persons will, however, be upheld if the vendor is separately advised and fully cognisant of the circumstances: *Edwards v Meyrick* (1842) 2 Hare 60 at 68 et seq; *Holman v Loynes* supra at 281 et seq; *Barnard v Hunter* (1856) 5 WR 92.

5 A mortgagee cannot sell to himself either directly or through an agent: *Farrar v Farrars Ltd* (1888) 40 ChD 395, CA; *Williams v Wellingborough Borough Council* [1975] 3 All ER 462, [1975] 1 WLR 327, CA (but as to the vesting of a house in an authority entitled to exercise the power of sale see the Housing Act 1985 s 452 (as amended), Sch 17; and HOUSING vol 22 (2006 Reissue) para 704). The principle does not apply to purchase by a partner from the representatives of a deceased partner: *Chambers v Howell* (1847) 11 Beav 6; *Knox v Gye* (1872) LR 5 HL 656 at 675.

946. Purchase by trustee of beneficiary's equitable interest (the 'fair dealing rule'). A trustee may purchase the beneficial interest of a beneficiary if he can establish the propriety of the transaction, showing that he had taken no advantage of his position and that the beneficiary was fully informed and received full value[1].

1 *Clarke v Swaile* (1762) 2 Eden 134; *Coles v Trecothick* (1804) 9 Ves 234; *Randall v Errington* (1805) 10 Ves 423; *Morse v Royal* (1806) 12 Ves 355; *Sanderson v Walker, Campbell v Walker* (1807) 13 Ves 601; *Dover v Buck* (1865) 5 Giff 57; *Tito v Waddell (No 2)* [1977] Ch 106 at 225, [1977] 3 All ER 129 at 228 per Megarry V-C, who referred to this as the 'fair dealing rule'. See also *Movitex Ltd v Bulfield* [1988] BCLC 104 at 121 (where Vinelott J observed that a trustee who is in breach of the fair dealing rule is not strictly guilty of a breach of trust but of the duty he owes to the beneficiary to make full disclosure and to deal fairly with him arising from his fiduciary position); *Hill v Langley* (1988) Times, 28 January, CA.

3. ADMINISTRATION OF TRUSTS

(1) DUTIES OF TRUSTEES

(i) In general

A. NATURE OF DUTIES

947. A duty must be performed. It is in the nature of a duty that its performance is obligatory and may be compelled by the court[1]. Powers on the other hand are to a greater or lesser degree discretionary in nature[2]. The court will not normally compel the exercise of a power against the trustee's wishes[3] but it will compel performance of such powers attached to a trust as are of the nature of a trust or obligation, as in the case of discretionary trusts[4]. A trustee who fails to carry out his duties will be in breach of trust[5].

1 As to interference by the court where a trustee improperly fails to carry out a duty see para 1067 post. As to a trustee's duties generally see para 948 et seq post.
2 As to a trustee's powers generally see para 973 et seq post.
3 *Tempest v Lord Camoys* (1868) 21 ChD 576n, CA.
4 *Nickisson v Cockill* (1863) 3 De GJ & Sm 622 at 633–634 per Lord Westbury LC; *Tempest v Lord Camoys* (1868) 21 ChD 576n, CA; *Re Courtier, Coles v Courtier, Courtier v Coles* (1886) 34 ChD 136 at 141, CA, per Bowen LJ; *Re Hill, Hill v Pilcher* [1896] 1 Ch 962 at 966 per Kekewich J; *McPhail v Doulton* [1971] AC 424, [1970] 2 All ER 228, HL. 'Where duty and power are coupled the court can compel the trustees to perform the duty': *McPhail v Doulton* supra at 442 and 234 per Lord Hodson.
5 As to breach of trust see para 1084 et seq post.

B. PERFORMANCE OF DUTIES AND POWERS

(A) General Standard of Care

948. Trustee's duty to use diligence and prudence. A trustee must execute the trust with reasonable diligence[1], and conduct its affairs in the same manner as an ordinary prudent man of business would conduct his own affairs, but beyond this he is not bound to adopt further precautions[2]. A higher standard of care is due from a trust corporation or similar body which carries on a specialised business of trust management, and a professional corporate trustee is liable for breach of trust if loss is caused to the trust fund through its neglect to exercise the special care and skill which it professes to have[3]. In cases of doubt or difficulty a trustee may take legal advice[4] and other expert advice[5]. If mistaken, that advice would not formerly have relieved him from responsibility[6], but it may now do so if it was reasonable for the trustee to have acted on it, especially in relation to a small estate[7]. If a point is not clear, then, as a rule, the trustee should obtain the direction of the court[8].

1 *Charitable Corpn v Sutton* (1742) 2 Atk 400 at 406 per Lord Hardwicke LC.
2 *Bacon v Bacon* (1800) 5 Ves 331; *Joy v Campbell* (1804) 1 Sch & Lef 328 at 341–342 per Lord Resedale LC; *Massey v Banner* (1820) 1 Jac & W 241 at 247 per Lord Eldon LC; *Clough v Bond* (1838) 3 My & Cr 490 at 497 per Lord Cottenham LC; *Speight v Gaunt* (1883) 9 App Cas 1 at 19, HL, per Lord Blackburn (approving 22 ChD 727 at 739–740, CA, per Jessel MR); *Re Whiteley, Whiteley v Learoyd* (1886) 33 ChD 347 at 355, CA, per Lindley LJ; *Bullock v Bullock* (1886) 56 LJ Ch 221; *Robinson v Harkin* [1896] 2 Ch 415 at 424 per Stirling J; *Re Lucking's Will Trusts, Renwick v Lucking* [1967] 3 All ER 726, [1968] 1 WLR 866. The degree of prudence which the particular trustee actually uses in the management of his own affairs is not a proper standard: *Rae v Meek* (1889) 14 App Cas 558 at 569–570, HL, per Lord Herschell; *Re Lord De Clifford's Estate, Lord De Clifford v Quilter, Lord De Clifford v Marquis of Lansdowne* [1900] 2 Ch 707 at 716 per Farwell J. A paid trustee is expected to exercise a higher standard of diligence and knowledge than an unpaid trustee (*National Trustees Co of Australasia Ltd v General*

Finance Co of Australasia Ltd [1905] AC 373, PC; *Re Windsor Steam Coal Co (1901) Ltd* [1929] 1 Ch 151, CA; *Steel v Wellcome Custodian Trustees Ltd* [1988] 1 WLR 167), and a bank which advertises itself as taking charge of administrations is under a special duty (*Re Waterman's Will Trusts, Lloyds Bank Ltd v Sutton* [1952] 2 All ER 1054 at 1055 per Harman J). See also the text to note 3 infra. Trustees are not insurers of the trust property: *Re Hurst, Addison v Topp* (1892) 67 LT 96 at 99, CA. Cf the Trustee Act 1925 s 61; and para 1123 post. See also *Cowan v Scargill* [1985] Ch 270, [1984] 2 All ER 750 (pension fund trustee).

3 *Barlett v Barclays Bank Trust Co Ltd* [1980] Ch 515 at 534, [1980] 1 All ER 139 at 152.

4 *Poole v Pass* (1839) 1 Beav 600; *Re Tryon* (1844) 7 Beav 496 at 498; *Stephens v Lord Newborough* (1848) 11 Beav 403. It has been stated in a number of cases that a trustee is not necessarily protected from liability if he acts wrongly upon a wrong opinion of counsel: *Firmin v Pulham* (1848) 2 De G & Sm 99 at 100–101; *Devey v Thornton* (1851) 9 Hare 222 at 232 per Turner V-C; *Boulton v Beard* (1853) 3 De GM & G 608; *Re Knight's Trusts* (1859) 27 Beav 45 at 49–50 per Romilly MR; *Re Jackson, Wilson v Donald* (1881) 44 LT 467; *Stott v Milne* (1884) 25 ChD 710 at 714, CA, per Lord Selborne LC; *Davis v Hutchings* [1907] 1 Ch 356 at 365 per Kekewich J. As to wrong payments made on counsel's advice see BARRISTERS vol 3(1) (2005 Reissue) para 662. It seems, however, that a court is more likely nowadays than formerly to exonerate a trustee if he acts on the advice of counsel who is adequately and truly instructed on the facts: see the text and notes 6–7 infra.

5 *Re Pearson, Oxley v Scarth* (1884) 51 LT 692 at 694 per Pearson J; *Learoyd v Whiteley* (1887) 12 App Cas 727 at 734, HL, per Lord Watson.

6 *Doyle v Blake* (1804) 2 Sch & Lef 231 at 243 per Lord Redesdale LC; *Re Knight's Trusts* (1859) 27 Beav 45 at 49 per Romilly MR; *Stott v Milne* (1884) 25 ChD 710 at 714, CA; *Learoyd v Whiteley* (1887) 12 App Cas 727 at 734, HL.

7 See *Re Allsop, Whittaker v Bamford* [1914] 1 Ch 1, CA (where it was held that trustees could not be said to have acted unreasonably merely because they had under legal advice taken a wrong view of the construction of a will, and they were entitled to be relieved of liability under provisions now re-enacted in the Trustee Act 1925 s 61 (see para 1123 post)).

8 *Re Brogden, Billing v Brogden* (1888) 38 ChD 546 at 556, CA, per North J. See also *Re Beddoe, Downes v Cottam* [1893] 1 Ch 547, CA; and para 1074 post. A trustee's omission to obtain the direction of the court is not necessarily culpable: see the Trustee Act 1925 s 61; and para 1123 post.

(B) Statutory Duty of Care under the Trustee Act 2000

949. The statutory duty of care. Part I of the Trustee Act 2000[1] establishes a statutory duty of care[2] applicable to trustees when carrying out certain functions[3]. Whenever the duty applies[4] to a trustee he must exercise such care and skill as is reasonable in the circumstances[5], having regard in particular:

(1) to any special knowledge or experience that he has or holds himself out as having[6]; and

(2) if he acts as trustee in the course of a business or profession, to any special knowledge or experience that it is reasonable to expect of a person acting in the course of that kind of business or profession[7].

The statutory duty does not, however, alter the principles relating to the exercise of discretionary powers by trustees[8]. The decision whether to exercise a discretion remains a matter for the trustees to determine; and the manner in which they exercise it will be measured against the appropriate standard of care[9] rather than being subject to the statutory duty of care.

The statutory duty of care does not apply if or in so far as it appears from the trust instrument that the duty is not meant to apply[10].

1 Ie the Trustee Act 2000 Pt I (ss 1–2). As to the application of Pt I to pension schemes see s 36(2). 'Pension scheme' means an occupational pension scheme (within the meaning of the Pension Schemes Act 1993: see SOCIAL SECURITY AND PENSIONS vol 44(2) (Reissue) para 741) established under a trust and subject to the law of England and Wales: Trustee Act 2000 s 36(1).

2 Ibid ss 1(2), 39(2). The Law Commission took the view that the statutory duty of care 'probably' represents no more than a codification of the existing common law duty (see para 948 ante): *Trustees' Powers and Duties* (Law Com No 260) (1999) at paras 2.35, 3.24(3).

3 For the meaning of 'functions' see para 903 note 1 ante. As to the application of the Trustee Act 2000 to personal representatives see s 35; and para 602 ante. As to personal representatives see further EXECUTORS AND ADMINISTRATORS.
4 As to when the duty of care applies see ibid s 2, Sch 1; and para 950 post.
5 Ibid s 1(1).
6 Ibid s 1(1)(a).
7 Ibid s 1(1)(b).
8 As to the exercise of discretionary powers see para 979 post.
9 As to the appropriate standard of care see para 948 ante.
10 See the Trustee Act 2000 Sch 1 para 7; and para 950 post.

950. Functions to which the statutory duty of care applies. The statutory duty of care[1] applies to a trustee when exercising certain powers or carrying out certain duties[2] in relation to: (1) investment[3]; (2) acquisition of land[4]; (3) agents, nominees and custodians[5]; (4) compounding of liabilities[6]; (5) insurance[7]; (6) reversionary interests, valuations and audit[8]. The duty of care does not apply if or in so far as it appears from the trust instrument that the duty is not meant to apply[9].

1 As to the statutory duty of care see para 949 ante.
2 See the Trustee Act 2000 s 2, Sch 1.
3 The statutory duty of care applies to a trustee: (1) when exercising the general power of investment or any other power of investment however conferred; (2) when carrying out a duty to which he is subject under ibid s 4 (see para 1013 post) or s 5 (see para 1014 post): Sch 1 para 1. For the meaning of 'the general power of investment' see para 1012 post.
4 The statutory duty of care applies to a trustee: (1) when exercising the power under ibid s 8 to acquire land (see para 1034 post); (2) when exercising any other power to acquire land however conferred; (3) when exercising any power in relation to land acquired under a power mentioned in head (1) or head (2) supra: Sch 1 para 2.
5 The statutory duty of care applies to a trustee: (1) when entering into arrangements under which a person is authorised under ibid s 11 to exercise functions as an agent (see para 989 post); (2) when entering into arrangements under which a person is appointed under s 16 to act as a nominee (see para 991 post); (3) when entering into arrangements under which a person is appointed under s 17 or s 18 to act as a custodian (see para 991 post); (4) when entering into arrangements under which, under any other power, however conferred, a person is authorised to exercise functions as an agent or is appointed to act as a nominee or custodian; (5) when carrying out his duties under s 22 (see para 995 post): Sch 1 para 3(1). For the meaning of 'custodian' see para 991 note 4 post. For these purposes, entering into arrangements under which a person is authorised to exercise functions or is appointed to act as nominee or custodian includes, in particular, selecting the person who is to act, determining any terms on which he is to act, and, if the person is being authorised to exercise asset management functions, the preparation of a policy statement under s 15 (see para 990 post): Sch 1 para 3(2). For the meaning of 'asset management functions' see para 990 note 7 post.
6 The statutory duty of care applies to a trustee: (1) when exercising the power under the Trustee Act 1925 s 15 (as amended) (see para 1052 post) to do any of the things referred to in that provision; (2) when exercising any corresponding power, however conferred: Trustee Act 2000 Sch 1 para 4.
7 The statutory duty of care applies to a trustee: (1) when exercising the power under the Trustee Act 1925 s 19 (as substituted) to insure property (see paras 1047–1048 post); (2) when exercising any corresponding power, however conferred: Trustee Act 2000 Sch 1 para 5.
8 The statutory duty of care applies to a trustee: (1) when exercising the power under the Trustee Act 1925 s 22(1) or (3) (s 22 as amended) to do any of the things referred to in those provisions (see para 1054 post); (2) when exercising any corresponding power, however conferred: Trustee Act 2000 Sch 1 para 6.
9 Ibid Sch 1 para 7.

(C) Impartiality

951. Duty to act impartially between beneficiaries. Except where the instrument creating the trust expressly gives him a discretion as to adopting a course which will benefit one beneficiary at the expense of the others[1], it is the duty of a trustee to hold an even hand between the parties interested under the trust, and to look at the interests of all and not to those of any particular beneficiary or class of

beneficiaries[2]. The legitimate expectation of potential beneficiaries should be taken into account[3]. The trustee must not be a partisan of one of several beneficiaries[4].

1 *Re Chancellor, Chancellor v Brown* (1884) 26 ChD 42, CA; *Re Burrage, Burningham v Burrage* (1890) 62 LT 752; *Re Crowther, Midgley v Crowther* [1895] 2 Ch 56; *Train v Clapperton* [1908] AC 342, HL; *Re Charteris, Charteris v Biddulph* [1917] 2 Ch 379, CA. Executors in the course of administering a testator's estate are under a duty to consider the estate as a whole but are not under a duty to act impartially between the beneficiaries: *Re Hayes's Will Trusts, Pattinson v Hayes* [1971] 2 All ER 341, [1971] 1 WLR 758. See also EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 439.

2 *Howe v Earl of Dartmouth, Howe v Countess of Aylesbury* (1802) 7 Ves 137; *Mortlock v Buller* (1804) 10 Ves 292 at 309 per Lord Eldon LC; *Burges v Lamb* (1809) 16 Ves 174 at 178; *Anon* (1821) 6 Madd 10 at 11; *Davies v Wescomb* (1828) 2 Sim 425; *Hutchinson v Morritt* (1839) 3 Y & C Ex 547; *Benn v Dixon* (1840) 10 Sim 636; *Stuart v Stuart* (1841) 3 Beav 430; *Mortimer v Watts* (1852) 14 Beav 616 at 623 per Romilly MR; *Raby v Ridehalgh* (1855) 7 De GM & G 104 at 109 per Turner LJ; *Luther v Bianconi* (1860) 10 I Ch R 194 at 205; *Re Tempest* (1866) 1 Ch App 485 at 487–488 per Turner LJ; *Re Atkins, Newman v Sinclair* (1899) 81 LT 421; *Cowan v Scargill* [1985] Ch 270, [1984] 2 All ER 750 (duty of pension fund trustees); *Lloyds Bank plc v Duker* [1987] 3 All ER 193, [1987] 1 WLR 1324 (distribution of shares left by will); *Edge v Pensions Ombudsman* [2000] Ch 602, [1999] 4 All ER 546, CA (pension fund trustees duty to act impartially explained).

3 *Scott v National Trust for Places of Historic Interest or Natural Beauty* [1998] 2 All ER 705, sub nom *Ex p Scott* [1998] 1 WLR 226.

4 *Simpson v Bathurst, Shepherd v Bathurst* (1869) 5 Ch App 193 at 202 per Lord Hatherley LC; *Ellis v Barker* (1871) 7 Ch App 104.

(D) Duty to act Personally

952. Duty to act personally. The traditional principle of equity that a trustee should exercise his judgment[1] and perform his duties[2] personally[3] has been substantially modified both by case law[4] and statute[5]. Trustees now have very wide powers to delegate and appoint agents, nominees and custodians[6].

1 *A-G v Scott* (1750) 1 Ves Sen 413 at 417–418 per Lord Hardwicke LC; *Taylor v Tabrum* (1833) 6 Sim 281; *Robson v Flight* (1865) 4 De GJ & Sm 608 at 613; *Luke v South Kensington Hotel Co* (1879) 11 ChD 121, CA; *Re Parry, Dalton v Cooke* [1969] 2 All ER 512, [1969] 1 WLR 614. A trustee may, however, consult with the beneficiaries, if he does not surrender the ultimate exercise of his own judgment: *Fraser v Murdoch* (1881) 6 App Cas 855 at 864, HL, per Lord Selborne LC. See also *A-G v Scott* (1750) 1 Ves Sen 413; *Offen v Harman* (1859) 1 De GF & J 253; *Re Hetling and Merton's Contract* [1893] 3 Ch 269 at 280, CA, per Lindley LJ; *Re Airey, Airey v Stapleton* [1897] 1 Ch 164. As to obtaining the direction of the court see para 1074 post.

2 *Chambers v Minchin* (1802) 7 Ves 186 at 196; *Adams v Clifton* (1862) 1 Russ 297; *Wood v Weightman* (1872) LR 13 Eq 434; *Re Bellamy and Metropolitan Board of Works* (1883) 24 ChD 387, CA; *Robinson v Harkin* [1896] 2 Ch 415 at 422. As to a trustees disability to delegate the power to lease or sell the trust property see *Hardwick v Mynd* (1793) 1 Anst 109 at 110; *Hawkins v Kemp* (1803) 3 East 410 at 427; *Oliver v Court* (1820) 8 Price 127 at 166–167. As to a trustee's liability where he allows the trust property to remain in the custody or under the control of another person see *Scurfield v Howes* (1790) 3 Bro CC 90; *Hanbury v Kirkland* (1829) 3 Sim 265; *Trutch v Lamprell* (1855) 20 Beav 116; *Candler v Tillett* (1855) 22 Beav 257; *Thompson v Finch* (1856) 8 De GM & G 560; *Lewis v Nobbs* (1878) 8 ChD 591; *Re C Flower and Metropolitan Board of Works, Re M Flower and Metropolitan Board of Works* (1884) 27 ChD 592 at 596 per Kay J. There can also be liability where trust property is left in the sole possession of a co-trustee: *Gregory v Gregory* (1836) 2 Y & C Ex 313; *Ghost v Waller* (1846) 9 Beav 497; *Waugh v Wyche* (1854) 2 Drew 318 at 326 per Kindersley V-C; *Browne v Butter* (1857) 24 Beav 159; *Robinson v Harkin* [1896] 2 Ch 415; *Carruthers v Carruthers* [1896] AC 659, HL. See also paras 959 ante, 1003 post.

3 A trustee may not allow a stranger to participate in the management or control of the trust: *Salway v Salway* (1831) 2 Russ & M 215 at 219 per Lord Brougham LC; *White v Baugh* (1835) 3 Cl & Fin 44, HL; *Kingham v Lee* (1846) 15 Sim 396 at 399–400 per Shadwell V-C; *Pearce v Pearce* (1856) 22 Beav 248. Where trust property is sold with other property, the purchase money must be apportioned before completion of the purchase, and the amount attributable to the trust property must be separately paid to the trustees: *Re Cooper and Allens Contract for Sale to Harlech* (1876) 4 ChD 802 at 815 per Jessel MR. Where a trustee is one of several trustees he may not escape responsibility by leaving a matter to his co-trustee: *Brice v Stokes* (1805) 11 Ves 319; *Langford v Gascoyne* (1805) 11 Ves 333; *Underwood v Stevens* (1816) 1 Mer 712; *Re Chertsey Market, ex p Walthew* (1819) 6 Price 261 at 285 per Richards CB; *Oliver v Court* (1820) 8 Price 127 at 166–167; *Re Dixon, ex p Griffin* (1826) 2 Gl & J 114 at 116; *Clough v Bond*

(1838) 3 My & Cr 490 at 497; *Bulteel v Lord Abinger* (1842) 6 Jur 410; *Cowell v Gatcombe* (1859) 27 Beav 568; *Robinson v Harkin* [1896] 2 Ch 415. If he leaves a matter to his co-trustee or agent he remains liable to his beneficiary for the conduct of his co-trustee or agent: *Re Earl of Litchfield and Williams* (1737) 1 Atk 87; *Chambers v Minchin* (1802) 7 Ves 186 at 196; *Re French, ex p Townsend* (1828) 1 Mol 139; *Hanbury v Kirland* (1829) 3 Sim 265; *Bacon v Clark* (1836) 3 My & Cr 294; *Turner v Corney* (1841) 5 Beav 515 at 517 per Lord Langdale MR; *Egbert v Butter* (1856) 21 Beav 560; *Bostock v Floyer* (1865) LR 1 Eq 26; *Hopgood v Parkin* (1870) LR 11 Eq 74; *Rodbard v Cooke* (1877) 25 WR 555; *Davis v Hutchings* [1907] 1 Ch 356 at 365 per Kekewich J.

4 A trustee is not liable for the act of his co-trustee or agent where the law allows him to transact the affairs of the trust through a co-trustee or responsible agent: *Re Speight, Speight v Gaunt* (1883) 22 ChD 727 at 762, CA, per Lindley LJ (affd (1883) 9 App Cas 1, HL); *Re Weall, Andrews v Weall* (1889) 42 ChD 674; *Shepherd v Harris* [1905] 2 Ch 310; *Re Lucking's Will Trusts, Renwick v Lucking* [1967] 3 All ER 726, [1968] 1 WLR 866. As to the non-statutory powers to appoint and use agents see para 1001 et seq post. Where the trust instrument provides express authority to do so, a trustee may delegate his powers: *Pilkington v IRC* [1964] AC 612, [1962] 3 All ER 622 at 639 and 630, HL, per Viscount Radcliffe.

5 See the Trustee Act 1925 s 23(3) (repealed, but with a saving for appointments made under s 23 before 1 February 2001), s 25 (as substituted); the Trusts of Land and Appointment of Trustees Act 1996 s 9 (as amended); the Trustee Delegation Act 1999 s 1; the Trustee Act 2000 Pt IV (ss 11–27).

6 See para 984 et seq post.

953. Unanimity. Except in the case of charitable trusts[1] and pension trusts[2], trustees must generally[3] act unanimously in any transaction affecting the trust property, and a majority cannot bind the minority[4]. Thus a receipt for money given by one of two trustees will not be a discharge[5]. A subsequent approval by one trustee of the exercise of a discretion by the other seems, however, to be sufficient[6]; and a notice of intention to renew a lease is good if given to one of two trustees[7].

1 In the case of charity trustees the acts of the majority may bind the minority: *Re Whiteley, Bishop of London v Whiteley* [1910] 1 Ch 600. See also para 630 note 1 ante; and CHARITIES vol 5(2) (2001 Reissue) para 329.

2 Decisions of the trustees of an occupational pension trust scheme may, unless the scheme provides otherwise, be taken by agreement of a majority of the trustees: see the Pensions Act 1995 s 32(1); and SOCIAL SECURITY AND PENSIONS vol 44(2) (Reissue) para 790.

3 As to the power of a majority of trustees to lodge money in court see para 918 ante. The trust instrument may expressly authorise a majority to bind the minority: *Re Butlin's Settlement Trusts, Butlin v Butlin* [1976] Ch 251, [1976] 2 All ER 483.

4 *Leyton v Sneyd* (1818) 8 Taunt 532; *Luke v South Kensington Hotel Co* (1879) 11 ChD 121 at 125–126, CA, per Jessel MR; *Tempest v Lord Camoys* (1882) 21 ChD 571, CA; *Re C Flower and Metropolitan Board of Works, Re M Flower and Metropolitan Board of Works* (1884) 27 ChD 592; *Astbury v Astbury* [1898] 2 Ch 111 at 115–116 per Stirling J. As to proof in bankruptcy by trustees see BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 524. Where there is a trust for sale, with discretionary power to postpone the sale, the sale must take place unless all the trustees agree to its postponement: *Re Roth, Goldberger v Roth* (1896) 74 LT 50. A sale must take place unless the trustees unanimously agree to a postponement not only where the instrument creating the trust contains an express trust for sale, but also where a statutory trust for sale arises, and even a majority of trustees will be directed, in the case of land, to concur in an immediate sale: *Re Mayo, Mayo v Mayo* [1943] Ch 302, [1943] 2 All ER 440. This principle will not, however, prevail where the trust itself or the circumstances in which it was made show that there was a secondary or collateral object besides that of sale: see *Jones v Challenger* [1961] 1 QB 176 at 181, [1960] 1 All ER 785 at 787, CA (where it was held not inequitable that one of two trustees for sale who had been husband and wife but who were divorced should wish the matrimonial home to be sold, and the court ordered a sale). A power to postpone sale is now implied in the case of every trust for sale of land created by a disposition, whenever it was created or arose, despite any provision to the contrary made by the disposition (see the Trusts of Land and Appointment of Trustees Act 1996 s 4; and SETTLEMENTS vol 42 (Reissue) para 903), and all trusts for sale of land implied by statute have been converted into trusts of land, under which there is no duty to sell the land (see s 5, Sch 2; and SETTLEMENTS vol 42 (Reissue) para 903). A trust for sale of land is now subsumed under a trust of land: see ss 1, 4, 5; para 605 note 5 ante; and REAL PROPERTY vol 39(2) (Reissue) para 66. For the meaning of 'trust of land' see para 605 note 5 ante. There is nothing in the Trusts of Land and Appointment of Trustees Act 1996 to affect the rule that trustees of a private trust must act unanimously. See also *Re Evers's Trust, Papps v Evers* [1980] 3 All ER 399, [1980] 1 WLR 1327, CA; *Re Holliday (a bankrupt), ex p Trustee of the Property of the Bankrupt v Holliday* [1981] Ch 405, [1980] 3 All ER 385, CA; *Re Lowrie (a bankrupt), ex p the Trustee of the Bankrupt v The Bankrupt* [1981] 3 All ER 353; *Bernard v Josephs*

[1982] Ch 391, [1982] 3 All ER 162, CA; *Chhokar v Chhokar* [1984] FLR 313 at 323, CA; *Re Citro (a bankrupt)* [1991] Ch 142, [1990] 3 All ER 952, CA; *Lloyds Bank plc v Byrne and Byrne* [1993] 1 FLR 369, CA; *Abbey National plc v Moss* [1994] 2 FCR 587, [1994] 1 FLR 307, CA.

5 *Lee v Sankey* (1873) LR 15 Eq 204. See also *Walker v Symonds* (1818) 3 Swan 1 at 63; *Hall v Franck* (1849) 11 Beav 519. As to the inability of a sole trustee other than a trust corporation to give a valid receipt for certain purposes see para 799 ante. An acknowledgment by one of two trustees was held insufficient to prevent time running under a former limitation enactment which required any acknowledgment to be signed personally by the party to be sued and contained no provision as to signature by an agent: *Richardson v Younge* (1871) 6 Ch App 478. An acknowledgment may now in all cases be signed by the maker or his agent: see the Limitation Act 1980 s 30; and LIMITATION OF ACTIONS vol 28 (Reissue) para 1084.

6 *Messeena v Carr* (1870) LR 9 Eq 260 at 262–263 per Romilly MR.

7 *Nicholson v Smith* (1882) 22 ChD 640.

(ii) Duty to administer the Trust according to its Terms

954. Duty of loyalty. The distinguishing obligation of a trustee is the obligation of loyalty[1]. A trustee must not connive at or knowingly facilitate any act or conduct of another person which would involve a breach of trust or occasion loss or risk to the trust property[2]. He must not set up or abet an adverse title or claim of another person against his beneficiaries[3], or undertake a duty or put himself in a position which is inconsistent with his duty as trustee[4], or act in a manner inconsistent with that duty[5].

1 The core obligation of loyalty encompasses inter alia: (1) the duty to act in good faith; (2) the trustee's disability to profit from his trust; (3) the trustee's duty to avoid conflict between his duty and his personal interest; (4) the trustee's disability to act for his own benefit or the benefit of a third person without the informed consent of his principal; and (5) the duty of fair dealing: see *Bristol and West Building Society v Mothew* [1998] Ch 1 at 18, [1996] 4 All ER 698 at 712, CA, per Millett LJ. See also para 926 et seq ante.

2 *Head v Gould* [1898] 2 Ch 250 at 268–269 per Kekewich J. If a trustee retires from the trust knowing or suspecting that the trustees after his retirement will commit a breach of trust, he is equally liable with them for any loss to the trust estate resulting from it: see para 894 ante.

3 *Jevon v Bush* (1685) 1 Vern 342; *Armstrong d Tinker v Peirse* (1766) 3 Burr 1898; *Kaye v Powel* (1791) 1 Ves 408; *Shine v Gough* (1811) 1 Ball & B 436 at 445 per Manners LC; *Newsome v Flowers* (1861) 30 Beav 461 at 470; *Neligan v Roche* (1873) IR 7 Eq 332 at 337. See also *Twigg and Franks v Mason* (1916) 50 ILT 173, HL (where an action by a trustee for the benefit of a person whose interest was hostile to that of beneficiaries entitled to six-sevenths of the trust property was held to be improper). A person who has accepted property as a trustee and held it as such is not afterwards at liberty to turn round upon those by whom or for whom he has been entrusted with the possession of the trust property and say that the donor had no title to it: *Neligan v Roche* supra at 337.

4 *Earl Talbot v Hope Scott* (1858) 4 K & J 139; *Bray v Ford* [1896] AC 44 at 51, HL, per Lord Herschell. For the rule that a trustee must not place himself in a position where his interest conflicts with his duty see para 927 ante.

5 *Crosskill v Bower, Bower v Turner* (1863) 32 Beav 86. A trustee 'must put his own interests entirely out of the question': *Cook v Collingridge* (1823) Jac 607 at 621 per Lord Eldon LC. See para 941 ante.

955. Duty to administer the trust according to its terms. A trustee must strictly conform to and carry out the terms of the trust[1], so far as they are for the time being in force[2], and must perform the duties which are attached by law to the administration of the trust[3].

Where a trustee acts properly with reference to the facts and circumstances which exist at the time when he acts, and which are known or ought to have been known by him at the time, he is not liable if, owing to circumstances which subsequently occur, his action causes a loss to some of the beneficiaries[4].

The fact of a trust being administered by the court does not absolve the trustee from his duties with respect to it[5].

1 As to a trustee's duty to acquaint himself with the terms of the trust see para 958 post.

2 *A-G v Lady Downing* (1767) Wilm 1 at 23–24 per Wilmot LJ; *Booth v Booth* (1838) 1 Beav 125 at 128–129; *Knott v Cottee* (1852) 16 Beav 77; *Raby v Ridehalgh* (1855) 7 De GM & G 104 at 108 per

Turner LJ; *Devaynes v Robinson* (1857) 24 Beav 86; *Leedham v Chawner* (1858) 4 K & J 458; *Re Massingberd's Settlement, Clark v Trelawney* (1890) 63 LT 296 at 298, CA. Unless he is authorised to do so by the instrument creating the trust or by statute, a trustee may not make a gift or voluntary payment out of the trust property: see *Re Clore's Settlement Trusts, Sainer v Clore* [1966] 2 All ER 272, [1966] 1 WLR 955; and GIFTS vol 20(1) (Reissue) para 15. See also para 1084 post.

3 *Earl of Egmont v Smith, Smith v Earl of Egmont* (1877) 6 ChD 469 at 475–476 per Jessel MR. Not every trustee has the same duties and liabilities: *Earl of Egmont v Smith, Smith v Earl of Egmont* supra at 475.

4 *Re Hurst, Addison v Topp* (1892) 67 LT 96 at 99, CA, per Lindley LJ; *Rawsthorne v Rowley* [1909] 1 Ch 409n, CA; cf *Re Brookes, Brookes v Taylor* [1914] 1 Ch 558.

5 *Garner v Moore* (1855) 3 Drew 277.

956. Payment of income and capital to persons entitled. It is the duty of a trustee to pay the income and the capital of the trust property to the persons who are entitled to them respectively[1]. Where he is in doubt as to who these persons are, the trustee should apply to the court for its direction on the subject[2]. An alternative practical solution to the problem of a missing beneficiary, particularly in the case of a small trust, may be to take out missing beneficiary insurance[3]. The trustee is liable if he wilfully or negligently or through a mistake on a point of law pays to the wrong person[4], and may be held liable even if he is induced by forgery or fraud to do so[5], although relief may be available to the trustee by statute[6]. Further, as between the trustee and a person who is wrongly paid, the trustee, under the law of restitution based on the principle of unjust enrichment, has a right to recover the payment if it was paid under a mistake, whether of fact or law, subject to the defences available in the law of restitution such as the defence of change of position[7]. The trustee is not, however, liable if he pays to a beneficiary originally entitled where he had no notice of the derivative title of the person actually entitled, provided that his ignorance of it is not due to any negligence on his part[8]. In other cases, ignorance of the true facts may relieve him from liability for payment to the wrong person[9].

If a trustee, without knowledge[10] of the revocation of a power of attorney, deals with the donee of the power, the transaction between them is, in favour of the trustee, as valid as if the power had then been in existence[11]. If the power is expressed in the instrument creating it to be irrevocable and to be given by way of security, then, unless the trustee knew that it was not in fact given by way of security, he is entitled to assume that the power is incapable of revocation except by the donor acting with the donee's consent, and he is treated as having knowledge of the revocation only if he knows that it has been revoked in that manner[12].

1 See eg *Watts v Turner* (1830) 1 Russ & M 634; *Willis v Hiscox* (1839) 4 My & Cr 197; *Hampshire v Bradley* (1845) 2 Coll 34; *Firmin v Pulham* (1848) 2 De G & Sm 99; *Warter v Anderson* (1853) 11 Hare 301 at 303 per Wood V-C; *Sporle v Barnaby* (1864) 10 Jur NS 1142; *Southwell v Martin* (1869) 21 LT 135; *Re Hulkes, Powell v Hulkes* (1886) 33 ChD 552; *Re Bennison, Cutler v Boyd* (1889) 60 LT 859; *Low v Bouverie* [1891] 3 Ch 82 at 99, CA, per Lindley LJ; *Davis v Hutchings* [1907] 1 Ch 356; *Re Ruddock, Newberry v Mansfield* (1910) 102 LT 89, CA. Payment should be made without demand: *Hawkesley v May* [1956] 1 QB 304, [1955] 3 All ER 353. A trustee is entitled to full information as to who are entitled to the trust property: *Burrows v Greenwood* (1840) 4 Y & C Ex 251; *Holford v Phipps* (1841) 3 Beav 434; *Hurst v Hurst* (1874) 9 Ch App 762 at 766 per James LJ. A trustee distributing trustee property should inquire as to the value of the securities distributed: see *Re Brookes, Brookes v Taylor* [1914] 1 Ch 558. As to the duty of trustees to inquire whether the produce of sub-units in a fixed investment trust is capital or income see *Re Whitehead's Will Trusts, Public Trustee v White* [1959] Ch 579, [1959] 2 All ER 497. As to appropriating specific portions of the trust property to individual beneficiaries see para 1056 post; and as to paying out their specific shares from time to time as they become entitled in possession see para 951 ante.

2 *Talbot v Earl of Radnor* (1834) 3 My & K 252; *Neale v Davies* (1854) 5 De GM & G 258; *Merlin v Blagrave* (1858) 25 Beav 125 at 137–138 per Romilly MR. A trustee may in some cases be protected by legal advice in paying a trust fund to the wrong person: *Re Allsop, Whittaker v Bamford* [1914] 1 Ch 1, CA; but see *Boulton v Beard* (1853) 3 De GM & G 608; *Davis v Hutchings* [1907] 1 Ch 356 at 365; and para 948 ante.

3 See *Re Evans* [1999] 2 All ER 777.

4 *Hopkins v Myall* (1830) 2 Russ & M 86; *Hodgson v Hodgson* (1837) 2 Keen 704; *Hutchins v Hutchins* (1851) 15 Jur 869; *Harrison v Randall* (1851) 9 Hare 397 at 407 per Turner V-C; *Boulton v Beard* (1853) 3 De GM & G 608; *Wright v Chard* (1860) 1 De GF & J 567; *Barratt v Wyatt* (1862) 30 Beav 442; *Mackechnie v Marjoribanks* (1870) 39 LJ Ch 604; *Hilliard v Fulford* (1876) 4 ChD 389; *Re Ward, Bemment v Balls* (1878) 47 LJ Ch 781; *Re Hulkes, Powell v Hulkes* (1886) 33 ChD 552. A trustee is liable if under a power of advancement he applies trust money in a manner which results in no real benefit to the minor: *Simpson v Brown* (1865) 11 LT 593. As to the power of advancement generally see para 1050 post.

5 *Ashby v Blackwell* (1765) 2 Eden 299 at 302 per Lord Northington LC; *Eaves v Hickson* (1861) 30 Beav 136; *Bostock v Floyer* (1865) LR 1 Eq 26; *Sutton v Wilders* (1871) LR 12 Eq 373; *Re Bennison, Cutler v Boyd* (1889) 60 LT 859; *Re Neil, Hemming v Neil* (1890) 62 LT 649; *Davis v Hutchings* [1907] 1 Ch 356. A trustee who paid trust money to a minor on a false representation by him and his father that he was of age was held not liable to pay it again after the beneficiary had actually come of age: *Overton v Banister* (1844) 3 Hare 503.

6 Ie under the Trustee Act 1925 s 61: see para 1123 post. In appropriate circumstances the court may make an order enabling trustees to distribute on the footing that a theoretical beneficiary has predeceased the testator: *Re Benjamin* [1902] 1 Ch 723; *Re Green's Will Trusts* [1985] 3 All ER 455.

7 *Kleinwort Benson Ltd v Lincoln City Council* [1999] 2 AC 349, [1998] 4 All ER 513, HL, reversing the rule that money is not recoverable in restitution on the ground that it was paid under a mistake of law; *Nurdin & Peacock plc v DB Ramsden & Co Ltd* [1999] 1 All ER 941, [1999] 1 WLR 1249. As to restitution on the ground of mistake see RESTITUTION vol 40(2) (Reissue) para 1327 et seq; and as to defences see RESTITUTION vol 40(2) (Reissue) para 1465 et seq.

8 *Cothay v Sydenham* (1788) 2 Bro CC 391; *Leslie v Baillie* (1843) 2 Y & C Ch Cas 91; *Re Cull's Trusts* (1875) LR 20 Eq 561 at 563 per Jessel MR; *Williams v Williams* (1881) 17 ChD 437; *Re Long, Lovegrove v Long* [1901] WN 166; *Davis v Hutchings* [1907] 1 Ch 356. Ignorance does not excuse if it is due to non-examination of the trust papers: *Hallows v Lloyd* (1888) 39 ChD 686 at 691 per Kekewich J.

9 *Cothay v Sydenham* (1788) 2 Bro CC 391; *Williams v Williams* (1881) 17 ChD 437. Notwithstanding anything to the contrary in the will or other instrument, if any, creating the trust, the trustees, before conveying to or distributing among the beneficiaries any real or personal property, may protect themselves by means of advertisements: see the Trustee Act 1925 s 27 (as amended); and para 915 ante. See EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) paras 382–383.

10 Knowledge of the revocation of a power of attorney includes knowledge of the occurrence of any event (such as the donor's death) which has the effect of revoking the power: see the Powers of Attorney Act 1971 s 5(5); and AGENCY vol 2(1) (Reissue) para 219.

11 See ibid s 5(2); and AGENCY vol 2(1) (Reissue) para 219. This does not prejudice the right against the donee of any other person entitled to the distributed property. See further AGENCY vol 2(1) (Reissue) para 219.

12 See ibid s 5(3); and AGENCY vol 2(1) (Reissue) para 219.

957. Impartiality in relation to payment of income and capital. Notwithstanding his duty to act impartially between beneficiaries[1], a trustee may pay out the share of a beneficiary who has attained a vested interest in possession, even though the shares of other beneficiaries have not so vested, or, by reason of incapacity or of the trusts attaching to them, are not presently payable[2], if he retains assets which on a fair valuation are then sufficient to answer those other shares[3]. Where the distribution is in the form of investments rather than cash, the beneficiary will normally be treated as having received the cash value of the investments[4]. This amount will be brought into account if the beneficiary is entitled to a larger share on the final division of the trust assets, but as, in times of inflation, this can lead to capricious results, it may be fairer to treat appropriations and advances as fractional distributions of entitlement[5].

1 See para 951 ante.

2 Where beneficiaries are entitled to share a fund as joint tenants, a beneficiary whose share is presently payable is entitled to be paid his share of income even though not all the beneficiaries are presently entitled to payment of their shares and even though there has been no severance of the capital of the fund: *Hawkesley v May* [1956] 1 QB 304, [1955] 3 All ER 353.

3 *Fenwick v Clarke* (1862) 4 De GF & J 240; *Re Winslow, Frere v Winslow* (1890) 45 ChD 249; *Re Lepine, Dowsett v Culver* [1892] 1 Ch 210, CA; *Re Hurst, Addison v Topp* (1892) 67 LT 96 at 99, CA, per Lindley LJ. It is obvious that, in some cases, owing to subsequent depreciation or loss of the retained funds, such a payment may result in an unequal treatment of those other beneficiaries, and this is an exception from the general rule that the rights of a beneficiary cannot be affected by the act of his trustee: see *Re Swan* (1864) 2 Hem & M 34 at 37 per Wood V-C.

4 *Re Gollin's Declaration of Trust, Turner v Williams* [1969] 3 All ER 1591, [1969] 1 WLR 1858.
5 *Re Leigh's Settlement Trusts* [1981] CLY 2453 (where the court gave the trustees leave to appropriate a farm not at its value at the time but as having a value amounting to a fraction of the whole trust fund). Where there is a power to make advances up to a specified proportion of a trust fund, a payment up to that limit exhausts the exercise of the power and it ceases to be exercisable in the future even though the retained assets increase in value: *Re Marquess of Abergavenny's Estate Act Trusts, Marquess of Abergavenny v Ram* [1981] 2 All ER 643, [1981] 1 WLR 843.

(iii) Knowledge and Control of Trust Affairs and Property

958. Acquaintance with trust and its affairs. The first duty of a trustee is to acquaint himself with the terms of the trust under which he acts[1], with the state of the trust property[2], and with the contents of all the deeds, notices and other documents and papers relating to or affecting the trust property which come into his possession or under his control[3].

A trustee must assume the validity of the title of his beneficiaries, even if it is doubtful, until it is actually negatived[4]. At the same time, he has a right to know the title of those who pretend to be his beneficiaries[5], and, if he receives notice of an adverse claim and of an intention to hold him liable if he disregards it, he may obtain a decision of the court as to his course of action[6].

1 *Hallows v Lloyd* (1888) 39 ChD 686 at 691 per Kekewich J. A trustee is not liable for failing to act in a trust which has never been brought to his notice: *Youde v Cloud* (1874) LR 18 Eq 634.
2 *Harvey v Olliver* (1887) 57 LT 239 at 241 per Kay J; *Hallows v Lloyd* (1888) 39 ChD 686; *Nestle v National Westminster Bank plc* [1994] 1 All ER 118, [1993] 1 WLR 1260, CA.
3 *Hallows v Lloyd* (1888) 39 ChD 686 at 691. When new trustees are appointed, they are not, however, bound to inquire of retiring trustees whether they have received notice of any incumbrance on, or other dealing with, the trust property: *Hallows v Lloyd* supra; *Phipps v Lovegrove, Prosser v Phipps* (1873) LR 16 Eq 80 at 90 per James LJ. Any written notices in fact received must be handed over to the new trustees: *Re Booth's Settlement Trusts* (1853) 1 WR 444. See also *Tiger v Barclays Bank Ltd* [1952] 1 All ER 85, CA.
4 *Beddoes v Pugh* (1859) 26 Beav 407 at 417; *Neligan v Roche* (1873) 7 IR Eq 332.
5 *Hurst v Hurst* (1874) 9 Ch App 762 at 766 per James LJ.
6 *Neale v Davies* (1854) 5 De GM & G 258 at 263 per Turner LJ (affg the decision of Wood V-C); cf *Neale v Davies* supra at 264–265 per Knight Bruce LJ. As to the application to the court when a trustee is in doubt as to the persons entitled see para 956 post.

959. Trustee's duty to take possession of trust property and preserve it. A trustee must take all reasonable and proper measures to obtain possession of the trust property if it is outstanding[1], and to get in all debts and funds due to the trust estate[2], and to preserve it[3] and secure it from loss[4] or risk of loss[5]. Unless otherwise directed or authorised by the instrument creating the trust, he has a duty to get in trust property invested in a hazardous manner[6].

Where a trustee has taken reasonable precautions, he is not liable if the trust property is stolen or lost without default on his part while it is in his possession[7].

1 *Powell v Evans* (1801) 5 Ves 839; *Mucklow v Fuller* (1821) Jac 198; *Gregory v Gregory* (1836) 2 Y & C Ex 313; *Fenwick v Greenwell* (1847) 10 Beav 412; *Styles v Guy* (1849) 1 Mac & G 422; *M'Gachen v Dew, Dew v M'Gachen* (1851) 15 Beav 84; *Story v Gape* (1856) 2 Jur NS 706; *Taylar v Millington* (1858) 4 Jur NS 204; *Grove v Price* (1858) 26 Beav 103; *Westmoreland v Holland* (1871) 23 LT 797; *Re Pilling, ex p Ogle, ex p Smith* (1873) 8 Ch App 711 at 717. As to the duty of all the trustees, where there are several, to possess themselves of the trust property see para 952 post; and as to the custody of securities and documents of title see para 729 ante. The trust property need not be vested in the trustee so long as it is under his control.
2 *Lowson v Copeland* (1787) 2 Bro CC 156; *Gregory v Gregory* (1836) 2 Y & C Ex 313; *Wiles v Gresham* (1854) 2 Drew 258; *Orrett v Corser, Corser v Orrett* (1855) 21 Beav 52 at 56 per Romilly MR; *Re Strahan, ex p Geaves* (1856) 8 De GM & G 291; *Re Brogden, Billing v Brogden* (1888) 38 ChD 546, CA. The trustee may, however, exercise a reasonable discretion as to the time for so doing: *Buxton v Buxton* (1835) 1 My & Cr 80; *Rowley v Adams* (1849) 2 HL Cas 725. He must not allow rent or interest to fall into arrear: *Tebbs v Carpenter* (1816) 1 Madd 290 at 297–298. Unless expressly authorised to forbear doing so, he

must enforce a bond or covenant in favour of the trust estate entered into by the creator of the trust: *Luther v Bianconi* (1860) 10 I Ch R 194; *Woodhouse v Woodhouse* (1869) LR 8 Eq 514 at 520 per Stuart V-C; *Re Brogden, Billing v Brogden* supra. For a broad power to compromise claims, however, see the Trustee Act 1925 s 15(f); and para 1052 post. In *Re Pryce, Nevill v Pryce* [1917] 1 Ch 234, the court authorised trustees to abstain from enforcing a covenant for the benefit only of next of kin claiming as volunteers. The next of kin as third parties may now be able to bring proceedings under the Contracts (Rights of Third Parties) Act 1999: see para 662 ante. See also *Re Kay's Settlement, Broadbent v Macnab* [1939] Ch 329, [1939] 1 All ER 245. A trustee's duty to preserve trust assets does not compel him to seek recovery of a loan made under a power to make beneficial loans to beneficiaries: *Chirkinian v Larcom Trustees Ltd* [2006] EWHC 1917 (Ch), [2006] All ER (D) 403 (Jul).

3 See, however, *Harris v Black* (1983) 46 P & CR 366, CA (cited in note 4 infra).

4 *Sutton v Wilders* (1871) LR 12 Eq 373; *Kingdon v Castleman* (1877) 25 WR 345; *Briggs v Massey* (1882) 51 LJ Ch 447, CA; *Low v Bouverie* [1891] 3 Ch 82 at 99, CA, per Lindley LJ. See also para 952 post. Where two persons held leasehold property on the statutory trusts for sale, the court had jurisdiction to order one trustee to join his co-trustee in serving a counter-notice and applying for a new lease: see *Harris v Black* (1983) 46 P & CR 366, CA (where the court did not make such an order as there were no other beneficiaries involved).

5 *Macnamara v Carey* (1867) IR 1 Eq 9, Ir CA; *Cleary v Fitzgerald* (1881) 7 LR Ir 229 at 247, Ir CA, per May CJ; *Bullock v Bullock* (1886) 56 LJ Ch 221.

Except in the case of trusts having a custodian trustee or in relation to any securities vested in the official custodian for charities, trustees who retain or invest in bearer securities must appoint a person to act as a custodian of the securities and the appointment must be evidenced in writing: see the Trustee Act 2000 s 17. As to the power to invest in bearer securities see the general power of investment contained in Trustee Act 2000 s 3(1); and para 1012 post. As to the power to appoint custodians see para 991 post. Where the trust property consists of chattels, an inventory of them ought to be made and kept: *Temple v Thring* (1887) 56 LJ Ch 767. As to investing trust money see paras 968, 1007 et seq post. As to insuring buildings see paras 1047–1048 post. As to leaving trust money in a bank see *Anon* (1774) Lofft 493; *Adams v Claxton* (1801) 6 Ves 226; *France v Woods* (1829) Taml 172; *Macdonnell v Harding* (1834) 7 Sim 178; *Brown v Clark* (1837) 1 Jur 838; *Lunham v Blundell* (1857) 27 LJ Ch 179; *Gough v Etty* (1869) 20 LT 358; and paras 968–969 post.

6 *Kirkman v Booth* (1848) 11 Beav 273 (property left in business carried on by testator in partnership with son). See also para 968 post.

7 *Jones v Lewis* (1751) 2 Ves Sen 240; *Job v Job* (1877) 6 ChD 562; *Jobson v Palmer* [1893] 1 Ch 71. As to the statutory protection of a trustee against liability for the default of his agents see paras 998–1000 post. A trustee is liable for the loss of title deeds unless he can show that it was due to inevitable accident and not to negligence on his part: *Brown v Sewell* (1853) 11 Hare 49 at 53 per Wood V-C; *Gilligan and Nugent v National Bank Ltd* [1901] 2 IR 513.

960. Bringing and defending proceedings to protect trust property. If necessary, a trustee must institute legal proceedings to effect the security of the trust property or its recovery[1], and, where he has a reasonable prospect of being able to do so successfully, he should defend proceedings brought against him in respect of the trust property[2]. He is not, however, bound to take proceedings with a view to recovering trust property which, due to the financial position of the person liable to restore it or otherwise, would be clearly useless[3]; but, where, by taking proceedings, he could have recovered part of the fund, he is liable to that extent[4].

Where trust property includes a share or interest, for example a reversionary interest, in property not vested in the trustees, they are not normally chargeable with any breach of trust by reason of any omission to take certain steps or proceedings in relation to that property, but they must obtain a transfer of the trust interest on its falling into possession[5].

1 *Lowson v Copeland* (1787) 2 Bro CC 156; *Kirby v Mash* (1839) 3 Y & C Ex 295; *Luther v Bianconi* (1860) 10 I Ch R 194; *Macnamara v Carey* (1867) IR 1 Eq 9 at 23–24, Ir CA; *Re Brogden, Billing v Brogden* (1888) 38 ChD 546, CA. As to taking action with reference to a Bill in Parliament affecting the trust property see *Jones v Powell* (1841) 4 Beav 96; and as to the position where a trustee neglects to institute proper legal proceedings see para 1082 post.

2 *D'Oechsner v Scott* (1857) 24 Beav 239 at 242; *Benett v Wyndham* (1862) 4 De GF & J 259; *Walters v Woodbridge* (1878) 7 ChD 504, CA; *Re Llewellin, Llewellin v Williams* (1887) 37 ChD 317 at 327 per Stirling J.

3 *Ward v Ward* (1843) 2 HL Cas 777n at 784n, 786n, 787n per Lord Lyndhurst LC; *Fenwick v Greenwell* (1847) 10 Beav 412 at 421 per Lord Langdale MR; *Clack v Holland* (1854) 19 Beav 262 at 271–272 per Romilly MR; *Hobday v Peters (No 3)* (1860) 28 Beav 603; *Re Hurst, Addison v Topp* (1892) 67 LT 96, CA; *Millar's Trustees v Polson* (1897) 34 SLR 798 at 804–805. See also *Re Brogden, Billing v Brogden* (1888) 38 ChD 546 at 574, CA, per Lopes LJ. As to releasing or compounding debts or claims, and as to agreeing to a compromise, see para 1052 post.

4 *Maitland v Bateman* (1844) 8 Jur 926.

5 See the Trustee Act 1925 s 22(2); and para 1053 post.

(iv) Accounts and Information

961. Accounts. A trustee must keep an accurate account of the trust property[1], and must be always ready to render it when required[2].

Subject to any contrary intention expressed in the trust instrument and to the terms of the instrument[3], trustees may in their absolute discretion, from time to time, but not more than once in every three years unless the nature of the trust or any special dealings with the trust property make a more frequent exercise of the right reasonable, cause the accounts of the trust property to be examined or audited by an independent accountant, and must for that purpose produce such vouchers and give such information to him as he may require[4].

A beneficiary may challenge the amount paid to or retained by a trustee out of the trust property in respect of costs, charges and expenses incurred by him[5].

1 *Freeman v Fairlie* (1817) 3 Mer 24 at 42–43 per Lord Eldon LC; *Kemp v Burn* (1863) 4 Giff 348 at 349–350 per Stuart V-C. A trustee who is illiterate and incapable of keeping an account should employ an agent for the purpose: *Wroe v Seed* (1863) 4 Giff 425 at 429 per Stuart V-C. A trustee is personally liable if he neglects to require annual accounts from the manager of the trust estate where those accounts are directed by the instrument creating the trust: *Carruthers v Carruthers* [1896] AC 659, HL. As to preserving a record of the termination of the trust see para 753 ante; as to audit of accounts at the expense of the trust see the text and notes 2–5 infra; and as to costs in proceedings for an account see para 911 ante.

2 *White v Lady Lincoln, Duke of Newcastle v Kinderley* (1803) 8 Ves 363 at 369–370 per Lord Eldon LC; *Earl of Hardwicke v Vernon* (1808) 14 Ves 504 at 510 per Lord Eldon LC; *Pearse v Green* (1819) 1 Jac & W 135 at 140 per Plumer MR; *Turner v Corney* (1841) 5 Beav 515; *Springett v Dashwood* (1860) 2 Giff 521 at 526 per Stuart V-C; *Kemp v Burn* (1863) 4 Giff 348 at 349–350; *Talbot v Marshfield* (1868) 3 Ch App 622; *Jefferys v Marshall* (1870) 23 LT 548; *Re Hayter, Re Wallett, Hayter v Wells* (1883) 32 WR 26; *Re Skinner, Cooper v Skinner* [1904] 1 Ch 289. A trustee who allows a co-trustee to render an incorrect account is personally liable for the default: *Horton v Brocklehurst (No 2)* (1858) 29 Beav 504. As to the nature of the accounts to be kept in some cases by a solicitor-trustee see SOLICITORS vol 44(1) (Reissue) para 471.

3 See the Trustee Act 1925 s 69(2); and para 603 ante.

4 Ibid s 22(4). The costs of the examination or audit, including the fee of the auditor, must be paid out of the capital or income of the trust property, or partly in one way and partly in the other, as the trustees in their absolute discretion think fit, but, in default of any direction by the trustees to the contrary in any special case, costs attributable to capital must be borne by capital and those attributable to income by income: s 22(4). A beneficiary may also apply to the Public Trustee for an audit under the Public Trustee Act 1906 s 13: see para 777 et seq ante. As to the Public Trustee see para 766 et seq ante.

5 *Re Fish, Bennett v Bennett* [1893] 2 Ch 413 at 423–424, CA, per Bowen LJ, and at 425–426 per Kay LJ.

962. Duty to give information to beneficiary. A trustee must furnish to a beneficiary, or to a person authorised by him[1], on demand, information or the means of obtaining information as to the mode in which the trust property or his share in it has been invested or otherwise dealt with, and as to where it is[2] and full accounts respecting it[3], whether the beneficiary has a present interest in the trust property or only a contingent interest in remainder[4]. He must also allow a beneficiary to inspect the trust accounts and all documents relating to the trust[5] save those documents which would reveal the reasons for the exercise of his discretion[6]. It would appear that a trustee is not required to disclose any letter of wishes provided by the settlor to indicate his wishes

(though not intended to be legally binding) as regards the exercise of the trustee's discretions but there may be grounds for ordering disclosure in a particular case[7].

Historically the right to disclosure of trust documents has been regarded as a proprietary right[8] but more recently the approach has been to regard it as one aspect of the court's inherent jurisdiction to supervise, and where appropriate intervene in, the administration of trusts[9]. Accordingly, the right to disclosure now extends to the objects of a discretionary trust[10] but is a qualified right in that there may be circumstances (especially of confidentiality) in which even a vested and transmissible beneficial interest is not a sufficient basis for requiring disclosure of trust documents[11].

A trustee has a duty to explain to the beneficiary what his rights are[12].

If a trustee neglects or fails to provide information and accounts when he ought to do so, he is liable to the costs of proceedings to compel production of the information or accounts[13]. A trustee is, however, entitled to receive from the beneficiary the costs of furnishing the information or accounts, and to require him either to pay those costs in advance or to guarantee their payment[14].

Indulgence is shown to a trustee from whom an account is demanded after a long lapse of time[15].

1 *Kemp v Burn* (1863) 4 Giff 348; *Low v Bouverie* [1891] 3 Ch 82 at 99, CA, per Lindley LJ.

2 *Walker v Symonds* (1818) 3 Swan 1 at 58 per Lord Eldon LC; *Clarke v Earl of Ormonde* (1821) Jac 108 at 120 per Lord Eldon LC; *Newton v Askew* (1848) 11 Beav 145 at 152 per Lord Langdale MR; *Thompson v Clive* (1848) 11 Beav 475 at 479; *Springett v Dashwood* (1860) 2 Giff 521 at 528; *Talbot v Marshfield* (1868) 3 Ch App 622 (explained and distinguished in *Re Londonderry's Settlement, Peat v Walsh* [1965] Ch 918, [1964] 3 All ER 855, CA); *Low v Bouverie* [1891] 3 Ch 82 at 99, CA; *Re Tillott, Lee v Wilson* [1892] 1 Ch 86; *Re Page, Jones v Morgan* [1893] 1 Ch 304 at 309; *Re Dartnall, Sawyer v Goddard* [1895] 1 Ch 474, CA.

3 *Kemp v Burn* (1863) 4 Giff 348; *Wroe v Seed* (1863) 4 Giff 425 at 429 per Stuart V-C. As to reopening accounts in case of error see MISTAKE vol 32 (2005 Reissue) para 76.

4 *Re Tillott, Lee v Wilson* [1892] 1 Ch 86; *Re Dartnall, Sawyer v Goddard* [1895] 1 Ch 474, CA.

5 *Clarke v Earl of Ormonde* (1821) Jac 108; *Gough v Offley* (1852) 5 De G & Sm 653; *Bugden v Tylee* (1856) 21 Beav 545; *Simpson v Bathurst, Shepherd v Bathurst* (1869) 5 Ch App 193 at 202 per Lord Hatherley LC; *Re Cowin, Cowin v Gravett* (1886) 33 ChD 179. A beneficiary cannot, however, claim inspection of a case laid before counsel by his trustee with a view to resisting the beneficiary's claim: *Thomas v Secretary of State for India in Council* (1870) 18 WR 312. Beneficiaries are not entitled to call on trustee-directors of a company to use their powers as directors as though such powers were held on trust for the beneficiaries and cannot compel the trustee-directors to disclose information obtained by them in exercise of their powers of inspection as directors (*Butt v Kelson* [1952] Ch 197, [1952] 1 All ER 167, CA), but the beneficiaries may be able to obtain inspection of documents relating to the company in a proper case (*Butt v Kelson* supra). See, however, *Re Whichelow, Bradshaw v Orpen* [1953] 2 All ER 1558, [1954] 1 WLR 5; and COMPANIES vol 7(2) (2004 Reissue) para 1177.

6 Trustees need not disclose their reasons for exercising their discretion and need not allow a beneficiary to inspect documents which will reveal such information e g agenda or minutes of meetings or letters between trustees and a beneficiary or between trustees and a person whose consent is requisite to their exercising a power: *Re Londonderry's Settlement, Peat v Walsh* [1965] Ch 918, [1964] 3 All ER 855, CA. See also *AT & T Istel Ltd v Tully* [1993] AC 45, [1992] 3 All ER 523, HL. The principles of *Re Londonderry's Settlement* supra have been held applicable to pension schemes: *Wilson v Law Debenture Trust Corpn plc* [1995] 2 All ER 337. But see *Scott v National Trust for Places of Historic Interest and Natural Beauty* [1998] 2 All ER 705, sub nom *Ex p Scott* [1998] 1 WLR 226, where it was suggested that beneficiaries may be entitled to be given reasons for a change of policy where they have a legitimate expectation that a discretion will be exercised in their favour.

7 There are no English cases on the point but see *Hartigan Nominees Pty Ltd v Rydge* (1992) 29 NSWLR 405, NSW CA; *Re Rabaiotti's 1989 Settlement* (2000) 2 ITELR 763, Royal Court of Jersey.

8 See *O'Rourke v Darbishire* [1920] AC 581 at 626–627, HL, per Lord Wrenbury; *Re Londonderry's Settlement, Peat v Walsh* [1965] Ch 918 at 937, [1964] 3 All ER 855 at 862, CA, per Salmon LJ.

9 *Schmidt v Rosewood Trust Ltd* [2003] UKPC 26, [2003] 2 AC 709, [2003] 3 All ER 76; referred to with approval by Lloyd LJ in *Charman v Charman* [2005] EWCA Civ 1606 at [65], [2006] 1 WLR 1053 at [65], [2006] 2 FLR 422 at [65]. As to the right of the High Court and Court of Appeal to follow Privy Council decisions even where they depart from previous Court of Appeal decisions see *Daraydan Holdings v Solland International* [2004] EWHC 622 (Ch), [2005] Ch 119, [2005] 4 All ER 73; *Re Spectrum Plus Ltd*

[2005] UKHL 41, [2005] 2 AC 680, sub nom *Re Spectrum Plus Ltd, National Westminster Bank plc v Spectrum Plus Ltd* [2005] 4 All ER 209; *Abou-Rahmah v Abacha* [2006] EWCA Civ 1492, [2007] WTLR 1, [2006] All ER (D) 80 (Nov).

10 *Re Murphy's Settlements* [1998] 3 All ER 1 at 9, sub nom *Murphy v Murphy* [1999] 1 WLR 282 at 290 per Neuberger J; *Chaine-Nickson v Bank of Ireland, Brett and Lewis-Crosby* [1976] IR 393.

11 *Schmidt v Rosewood Trust Ltd* [2003] UKPC 26, [2003] 2 AC 709, [2003] 3 All ER 76. The Board considered that there were three areas in which the court might have to form a discretionary judgment: (1) whether a discretionary object (or some other beneficiary with only a remote or wholly defeasible interest) should be granted relief at all; (2) what classes of documents should be disclosed, either completely or in redacted form; and (3) what safeguards should be imposed (whether by undertakings to the court, arrangements for professional inspection, or otherwise) to limit the use which might be made of documents or information disclosed under the order of the court: see *Schmidt v Rosewood Trust Ltd* supra at [54].

12 *Burrows v Walls* (1855) 5 De GM & G 233 at 253 per Lord Cranworth LC; *Hawkesley v May* [1956] 1 QB 304, [1955] 3 All ER 353. An executor is not bound to inform a legatee of a legacy: *Re Lewis, Lewis v Lewis* [1904] 2 Ch 656, CA; *Re Mackay, Mackay v Gould* [1906] 1 Ch 25 at 33. For a consideration of the differing obligations of an executor and trustee in this respect see *Hawkesley v May* supra at 322 and 362; and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 475. A trustee is not required to give the beneficiary legal advice or inform him of such rights as a right to sever a joint tenancy: *Hawkesley v May* supra.

13 *Springett v Dashwood* (1860) 2 Giff 521; *Kemp v Burn* (1863) 4 Giff 348; *Jefferys v Marshall* (1870) 23 LT 548; *Re Holton's Settlement Trusts, Holton v Holton* (1918) 88 LJ Ch 444.

14 *Re Bosworth, Martin v Lamb* (1889) 58 LJ Ch 432 at 433 per Kekewich J. A legatee under a will has a right to have a satisfactory explanation of the state of the testator's assets and an inspection of the accounts, but he has no right to require a copy of the accounts at the expense of the estate: *Ottley v Gilby* (1845) 8 Beav 602 at 604 per Lord Langdale MR.

15 *Banks v Cartwright* [1867] WN 27; *Payne v Evens* (1874) LR 18 Eq 356 at 363.

963. Duty to give information to successor trustee. A retiring trustee is expected to answer his successor's requests for information about the trust and its affairs and is expected to exercise due care in doing so. If through negligence he misleads his successor and loss results to the trust estate he has no defence to a common law claim in negligence[1].

1 See *Mond v Hyde* [1999] QB 1097 at 1104, [1998] 3 All ER 833 at 837–838, CA, per Beldham LJ. See also *Tiger v Barclays Bank Ltd* [1952] 1 All ER 85, CA. As to claims in negligence see NEGLIGENCE; TORT.

964. Answering of inquiries by third parties. Subject to the payment of costs, a trustee must produce written notices served on him after 31 December 1925 in relation to an equitable interest in real or personal property to any person interested in an equitable interest[1]. With this exception, a trustee is not bound to answer an inquiry by an intending mortgagee or assignee of a beneficiary's interest as to assignments of or incumbrances on that interest[2].

A person is under a duty of care in answering inquiries only if there is some fiduciary or contractual or other special relationship between him and the person making the inquiries which gives rise to such a duty[3]. If as a matter of courtesy a trustee answers an inquiry, he is not bound to have made previous inquiries of his co-trustees or of the solicitor to the trust, or to do anything more than answer honestly to the best of his actual knowledge and belief[4]. If he does this, he exposes himself to no liability, unless he binds himself by a warranty or so expresses himself as to be estopped from afterwards denying the truth of what he said, or unless in some other way he undertakes a greater responsibility[5].

1 See the Law of Property Act 1925 s 137(8); and CHOSES IN ACTION vol 6 (2003 Reissue) para 47. As to notice generally see CHOSES IN ACTION vol 6 (2003 Reissue) para 41 et seq.

2 *Low v Bouverie* [1891] 3 Ch 82 at 100, CA, per Lindley LJ; *Ward v Duncombe* [1893] AC 369 at 383, HL, per Lord Herschell, and at 393–394 per Lord Macnaghten. See also *Re Tillott, Lee v Wilson* [1892] 1 Ch 86 at 88; *Mutual Life and Citizens' Assurance Co Ltd v Evatt* [1971] AC 793 at 805, 813, [1971]

1 All ER 150 at 157, 160, PC. It is no part of the duty of a trustee to inform a beneficiary of the incumbrances that beneficiary has created or to assist the beneficiary in selling or mortgaging his beneficial interest or in squandering or anticipating his fortune, and a person who proposes to buy or lend money on the beneficiary's interest has no better right than the beneficiary himself: *Low v Bouverie* supra at 99. See also Withers on Reversions (2nd Edn) pp 174–179.

3 *Hedley Byrne & Co Ltd v Heller & Partners Ltd* [1964] AC 465, [1963] 2 All ER 575, HL. There is no trust or other relationship between a trustee and a third party about to deal with a beneficiary and, although the third party, in making inquiries, may be regarded as authorised by the beneficiary to make them, this does not give him a right to information which the beneficiary himself is not entitled to demand: *Low v Bouverie* [1891] 3 Ch 82 at 99–100, CA.

4 *Low v Bouverie* [1891] 3 Ch 82 at 100, CA; *Hedley Byrne & Co Ltd v Heller & Partners Ltd* [1962] 1 QB 396 at 404, [1961] 3 All ER 891 at 895, CA (affd on different grounds [1964] AC 465, [1963] 2 All ER 575, HL); *Mutual Life and Citizens' Assurance Co Ltd v Evatt* [1971] AC 793, [1971] 1 All ER 150, PC.

5 *Burrowes v Lock* (1805) 10 Ves 470; *Derry v Peek* (1889) 14 App Cas 337, HL; *Low v Bouverie* [1891] 3 Ch 82 at 100, CA. A trustee who had signed a memorandum to the effect that he had not received notice of any prior charge on the trust property after having in fact received such a notice, which he had forgotten, was not liable under the memorandum to mortgagees of the trust property who induced him to sign it under the impression that his solicitors had approved of it, whereas they were aware that this was not the case: *Porter v Moore* [1904] 2 Ch 367. It seems that a professional trustee in business as a trustee may be liable where, as a result of the gravity of the inquiry, he appears to give a considered reply: see *Howard Marine and Dredging Co Ltd v A Ogden & Sons (Excavations) Ltd* [1978] QB 574, [1978] 2 All ER 1134, CA.

965. Right of beneficiaries to seek information from a third party. Exceptionally, the court, under its equitable jurisdiction, can order a defendant, who is not otherwise an appropriate party to proceedings, to identify the name and address of a third party[1].

1 See *Re Murphy's Settlements* [1998] 3 All ER 1, sub nom *Murphy v Murphy* [1999] 1 WLR 282, where the court, in proceedings brought by a discretionary beneficiary, ordered the settlor (who had reserved the power of appointment of trustees) to give the plaintiff information as to the names and addresses of the trustees of the settlement. See also para 1071 post.

(v) Conversion

966. Duty to convert. It is the duty of a trustee to sell and convert[1] the trust property:

(1) where the instrument creating the trust directs that it is to be sold and converted[2];
(2) where the property consists of hazardous or unauthorised investments[3]; and
(3) under a residuary bequest of personalty by will, where the property cannot be held to the advantage of beneficiaries for life and in remainder by reason of its being of a wasting nature or of a reversionary nature or otherwise not authorised investments[4], unless the instrument creating the trust evinces an intention that the wasting property is to be enjoyed in specie[5].

1 As to the partial abolition of the doctrine of conversion see para 967 post.

2 *Re Atkins, Newman v Sinclair* (1899) 81 LT 421; cf *Re Lane, National Gallery of Ireland Governors v A-G* (1918) 52 ILT 60 (where pictures were directed to be sold and the income of the proceeds devoted to purchasing works within a particular category; as the pictures in question were all within that category, they might therefore be retained unsold). Where the instrument directs sale and conversion, the trustee must sell or convert the property within a reasonable period (*Bate v Hooper* (1855) 5 De GM & G 338; *Hughes v Empson* (1856) 22 Beav 181; *Grayburn v Clarkson* (1868) 3 Ch App 605), even though the exact time is left in his discretion (*Sculthorpe v Tipper* (1871) LR 13 Eq 232; *Re Atkins, Newman v Sinclair* supra). The period is ordinarily 12 months (*Bate v Hooper* supra; *Grayburn v Clarkson* supra), but he may be bound to realise the property sooner or be justified in prolonging the period (*Buxton v Buxton* (1835) 1 My & Cr 80; *Paddon v Richardson* (1855) 7 De GM & G 563), and a trust to sell a business with all convenient speed with power to postpone sale has been held to authorise the postponement of the sale for two years (*Re Smith, Arnold v Smith* [1896] 1 Ch 171). A power to postpone sale and conversion authorises the carrying on of a business for a reasonable period: *Re Chancellor, Chancellor v Brown* (1884)

26 ChD 42, CA. Notwithstanding the Trusts of Land and Appointment of Trustees Act 1996, the existence of a trust for sale still imposes a mandatory requirement to sell, though there is in every case a power for the trustees to postpone sale of the land without incurring any liability: see the Trusts of Land and Appointment of Trustees Act 1996 s 4; and SETTLEMENTS vol 42 (Reissue) para 903. As a consequence of the partial abolition of the doctrine of conversion the interests of the beneficiaries will be interests in land: see s 3; and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 230. As to conversion and reconversion of property generally see EQUITY vol 16(2) (Reissue) para 701 et seq; TORT.

3 *Hughes v Empson* (1856) 22 Beav 181; *Grayburn v Clarkson* (1868) 3 Ch App 605; *Sculthorpe v Tipper* (1871) LR 13 Eq 232; *Marsden v Kent* (1877) 5 ChD 598, CA; *Earl of Gainsborough v Watcombe Terra Cotta Clay Co Ltd, Dunning v Earl of Gainsborough* (1885) 54 LJ Ch 991 at 996–997; *Re Hazeldine, Public Trustee v Hazeldine* [1918] 1 Ch 433 (postponement of conversion allowed owing to war conditions).

4 See para 746 ante. As to income pending sale see para 745 ante; and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 540; SETTLEMENTS vol 42 (Reissue) paras 945–946. As to bequests by will see WILLS.

5 See para 746 ante.

967. Discretion as to conversion. The doctrine of conversion was partially abolished by the Trusts of Land and Appointment of Trustees Act 1996, which provides that where land is held by trustees subject to a trust for sale, the land is not to be regarded as personal property and, where personal property is subject to a trust for sale in order that the trustees may acquire land, the personal property is not to be regarded as land[1]. The abolition applies to trusts whenever they came into being, with the exception of a trust created by the will of a testator who died before 1 January 1997[2].

A trust for sale is expressly included in the definition of a trust of land in the Trusts of Land and Appointment of Trustees Act 1996[3]. A power for the trustees to postpone sale of the land is implied in the case of every trust for sale of land created by a disposition, despite any provision to the contrary; and the trustees are not liable in any way for postponing sale of the land, in the exercise of their discretion, for an indefinite period[4].

In the case of property other than land, if the instrument creating the trust expressly gives to the trustee a discretion as to conversion or non-conversion of the property, he may exercise it by refraining from conversion[5]. A court of equity does not interfere with such an exercise of his discretion[6].

1 Trusts of Land and Appointment of Trustees Act 1996 s 3(1). The doctrine of conversion still applies in other situations, e g under a contract for the sale of land: see Pettit *Equity and the Law of Trusts* (10th Edn, 2005) pp 733–735.

2 See the Trusts of Land and Appointment of Trustees Act 1996 s 3(2), (3).

3 See ibid s 1; and para 605 note 5 ante.

4 See ibid s 4(1). This applies to a trust whether it is created, or arises, before or after 1 January 1997 (see s 4(2)), but does not affect any liability incurred by trustees before that date (see s 4(3)). The provisions of s 4 replace those of the Law of Property Act 1925 s 25(1), (3) (repealed).

5 *Wrey v Smith* (1844) 14 Sim 202; *Sparling v Parker* (1846) 9 Beav 524; *Johnston v Moore* (1858) 4 Jur NS 356; *Re Sewell's Estate* (1870) LR 11 Eq 80; *Gray v Siggers* (1880) 15 ChD 74; *Re Chancellor, Chancellor v Brown* (1884) 26 ChD 42, CA; *Re Crowther, Midgley v Crowther* [1895] 2 Ch 56; *Re Pitcairn, Brandreth v Colvin* [1896] 2 Ch 199; *Re Schneider, Kirby v Schneider* (1906) 22 TLR 223; *Re Bates, Hodgson v Bates* [1907] 1 Ch 22. See also *Re Marshall, Marshall v Marshall* [1914] 1 Ch 192, CA. As to the treatment of income of property pending conversion see para 745 ante; and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) paras 540–541; SETTLEMENTS vol 42 (Reissue) para 945.

6 *Gisborne v Gisborne* (1877) 2 App Cas 300, HL; *Re Burrage, Burningham v Burrage* (1890) 62 LT 752; *Re Charteris, Charteris v Biddulph* [1917] 2 Ch 379, CA; *Re Steed's Will Trusts* [1960] Ch 407, [1960] 1 All ER 487, CA. Trustees who exercise their discretion by postponing conversion will be presumed to do so properly and are not bound to exercise the discretion in writing or preserve evidence of their exercise of it: *Re Oddy, Connell v Oddy* (1910) 104 LT 128 at 131.

(vi) Investment

968. Duty to invest. Unless a trustee is expressly otherwise authorised or required under the terms of his trust, he must duly and promptly invest[1] all capital trust money

coming to his hands[2], and all income which cannot be immediately applied for the purposes of the trust[3]; and he is liable for any loss which may result from its being improperly invested[4] or being left uninvested for an unreasonable length of time[5], and for interest during the period of its being so left[6]. The investment must be made in the name of the trustee[7], and, if there are several trustees, in the name of all of them[8], except where, under the conditions of the investment, it may only be made in the name of one[9], or except where the power to invest in bearer securities[10] applies.

1 As to a trustee's powers of investment see para 1007 et seq post.
2 *Cann v Cann* (1884) 51 LT 770. Six months is the maximum period for which it can reasonably be left uninvested: *Cann v Cann* supra at 771 per Kay J.
3 See PERPETUITIES AND ACCUMULATIONS vol 35 (Reissue) para 1140.
4 *Trafford v Boehm* (1746) 3 Atk 440; *Hancom v Allen* (1774) 2 Dick 498 (revsd sub nom *Allen v Hancom* (1775) 7 Bro Parl Cas 375; but no reasoned judgment is reported). As to the investments which are authorised see para 1007 et seq post.
5 *Franklin v Frith* (1792) 3 Bro CC 433; *Moyle v Moyle* (1831) 2 Russ & M 710; *Cann v Cann* (1884) 51 LT 770.
6 *Stafford v Fiddon* (1857) 23 Beav 386; *Re Jones, Jones v Searle* (1883) 49 LT 91; *Gilroy v Stephens* (1882) 30 WR 745. As to the liability to pay interest see paras 1106–1108 post.
7 *Webb v Jonas* (1888) 39 ChD 660 at 666–667 per Kekewich J; *Field v Field* [1894] 1 Ch 425 at 429 per Kekewich J. As to the statutory power to appoint nominees see the Trustee Act 2000 s 16; and para 991 et seq post.
8 *Swale v Swale* (1856) 22 Beav 584; *Lewis v Nobbs* (1878) 8 ChD 591 at 594 per Hall V-C.
9 *Consterdine v Consterdine* (1862) 31 Beav 330 at 334.
10 As to investment in bearer securities see para 959 ante.

969. Bank accounts. Where trust money is paid into a trust account at a bank[1], it remains subject to the trust[2]. Where a fund was standing to the credit of two trustees at a bank and, although it had notice that the fund was a trust fund, the bank transferred it to the account of the tenant for life at his sole direction and thereby obtained payment of a debt due from him, the trustees were held entitled to sue the bank to have the fund replaced[3].

1 A deposit in a bank account was not an authorised investment under the Trustee Act 1961 (now substantially repealed by Trustee Act 2000): see para 1012 et seq post. Trustees were permitted to pay trust money into a bank to a deposit or other account pending the negotiation and preparation of any mortgage or charge, or during any other time while an investment was being sought and all interest, if any, payable in respect of the deposit was to be treated as income: Trustee Act 1925 s 11(1) (repealed). Six months was the maximum period for which it could reasonably be left uninvested: *Cann v Cann* (1884) 51 LT 770 at 771 per Kay J. It would appear that payment of trust money into a bank, at least in relation to a deposit account, is now authorised by the general power of investment contained in the Trustee Act 2000 s 3: see *Trustees' Powers and Duties* (Law Com no 260) (1999) para 2.27 (stating that the investment provisions of the Trustee Act 1925 Pt I (ss 1–11) (repealed) are superseded by the Trustee Act 2000); and see further para 1012 et seq post.
2 *Re Gross, ex p Kingston* (1871) 6 Ch App 632; *Foxton v Manchester and Liverpool District Banking Co* (1881) 44 LT 406. As to the duty of a bank in relation to trust accounts see BANKING vol 3(1) (2005 Reissue) paras 134–135, 151–153. Where the settlement allows a bank trustee to deposit trust funds with itself as banker, and the bank becomes insolvent, the trust ranks pari passu with unsecured creditors: *Space Investments Ltd v Canadian Imperial Bank of Commerce Trust Co (Bahamas) Ltd* [1986] 3 All ER 75, [1986] 1 WLR 1072, PC.
3 *Bridgman v Gill* (1857) 24 Beav 302. See also *Rowlandson v National Westminster Bank Ltd* [1978] 3 All ER 370, [1978] 1 WLR 798.

970. Mismanagement by the trustees of the trust investments. Failure to maintain the capital value of the trust fund is not per se an actionable breach of trust[1]. In order to succeed in their claim where there are symptoms of incompetence or idleness on the part of the trustees, the beneficiaries must show that through one or other or both of these causes the trustees made decisions which they should not have made or failed to make decisions which they should have made, and further that loss to the trust

estate resulted therefrom[2]. Further, irrespective of breaches of trust during the decision-making process, the beneficiaries of a trust do not have a claim against trustees who have made an investment decision unless they can establish that the decision was one that no reasonable trustee could have made[3]. If a decision by trustees is objectively right, they will not be liable even if it was in fact made on wholly wrong grounds[4].

1 *Nestle v National Westminster Bank plc* [1994] 1 All ER 118, [1993] 1 WLR 1260, CA; *Jones v AMP Perpetual Trustee Co NZ Ltd* [1994] 1 NZLR 690.
2 *Nestle v National Westminster Bank plc* [1994] 1 All ER 118, [1993] 1 WLR 1260, CA (it was held or assumed by all the members of the court that the trustees had at all relevant times been under a misunderstanding as to the scope of the investment clause in the will, in relation to which it was said to be inexcusable not to have taken legal advice; and further they had failed to carry out regular reviews of the trust investments). As to breach of trust generally see para 1084 et seq post.
3 *Wight v Olswang* [2000] WTLR 783, [2000] 18 LS Gaz R 37.
4 *Cowan v Scargill* [1985] Ch 270, [1984] 2 All ER 750; *Nestle v National Westminster Bank plc* [1994] 1 All ER 118, [1993] 1 WLR 1260, CA.

(2) POWERS OF TRUSTEES

(i) In general

A. NATURE OF POWERS

971. Discretionary nature of powers. A trustee's powers may be administrative or dispositive[1]. Administrative powers are those relating to prudent management in the discharge of the trustee's duty to maintain the trust estate[2]. Dispositive powers are those intended to have an actual effect on the benefits which the beneficiaries become entitled to receive[3].

Powers may be purely discretionary or may be of the nature of a trust or obligation, as in the case of discretionary trusts[4].

A trustee must consider whether or not to exercise a purely discretionary power but will not be compelled to exercise it[5], even though its non-exercise will benefit one beneficiary at the expense of another[6]. Where a power is of the nature of a trust or obligation its exercise is compellable but the court will not override the trustees discretion as to the time and manner of its exercise[7].

Where there is a deadlock between trustees as to the exercise of a purely discretionary power, the court, even though the discretion has not been surrendered to it, may interfere and in effect give the casting vote[8].

Discretionary trust powers over income remain exercisable despite the passing of time, although only in favour of such persons as would have been possible beneficiaries if the discretion had been exercised within a reasonable time[9]; but, if purely discretionary powers are not exercised within a reasonable time, the discretion is extinguished and the default beneficiaries are entitled[10].

1 *Pearson v IRC* [1981] AC 753, [1980] 2 All ER 479, HL (whether beneficiary had an interest in possession for capital transfer tax purposes). The distinction is not always easy to draw but is nonetheless a valid distinction: *Pearson v IRC* supra at 775 and 486 per Viscount Dilhorne.
2 *Andrew John Miller Robertson's Trustees v Lord Advocate for the IRC* [1987] SCLR 433 at 445 per Lord Kinraig drawing on the speech of Lord Keith of Kinkel in *Pearson v IRC* [1981] AC 753, [1980] 2 All ER 479, HL.
3 *Pearson v IRC* [1981] AC 753 at 785, [1980] 2 All ER 479 at 494, HL, per Lord Keith of Kinkel.
4 As to the distinction between 'powers' and 'trust powers' see *McPhail v Doulton* [1971] AC 424 at 448, [1970] 2 All ER 228 at 239–240, HL, per Lord Wilberforce. See also para 611 ante.
5 *Marquis Camden v Murray* (1880) 16 ChD 161; *Tempest v Lord Camoys* (1882) 21 ChD 571, CA; *Re Blake, Jones v Blake* (1885) 29 ChD 913, CA; *Re Courtier, Coles v Courtier, Courtier v Coles* (1886) 34 ChD 136, CA.

6 *Re Courtier, Coles v Courtier, Courtier v Coles* (1886) 34 ChD 136, CA; *Train v Clapperton* [1908] AC 342, HL; *Re Charteris, Charteris v Biddulph* [1917] 2 Ch 379 at 397, 399, CA.
7 See *Re Charteris, Charteris v Biddulph* [1917] 2 Ch 379, CA. See also paras 973, 975 ante.
8 *Klug v Klug* [1918] 2 Ch 67 (where one trustee was not prepared to consider exercising her discretion in favour of her daughter who had married without her consent).
9 *Re Locker's Settlement Trusts, Meachem v Sachs* [1978] 1 All ER 216, [1977] 1 WLR 1323.
10 *Re Allen-Meyrick's Will Trusts, Mangnall v Allen-Meyrick* [1966] 1 All ER 740, [1966] 1 WLR 499; *Re Gulbenkian's Settlement Trusts (No 2), Stephens v Maun* [1970] Ch 408, [1969] 2 All ER 1173.

972. Inherent powers. Subject to any special provisions in the instrument creating the trust, a trustee may do acts which are reasonable and proper for realising the trust property[1] or for protecting it[2], and may make payments which are necessary for the due execution of the trust[3], and which would be sanctioned by a court of equity if its sanction were applied for[4]. As a rule, however, in any case of doubt, the trustee should obtain this sanction before so acting[5].

1 *Waldo v Waldo* (1835) 7 Sim 261 at 262; *Ward v Ward* (1843) 2 HL Cas 777n at 784n–786n. See also para 959 ante. Where an immediate realisation would have caused serious loss to the trust estate, a trustee may arrange for payment of a debt due to it from one of the beneficiaries by instalments: *Ward v Ward* supra at 786n–787n. A trustee under an occupational pension scheme may enter into a compromise agreement rather than pursue a statutory debt owed under the scheme to the point of forcing an employer into liquidation: *Bradstock Group Pension Scheme Trustees Ltd v Bradstock Group plc* [2002] EWHC 651 (Ch), [2002] ICR 1427.
2 *Bright v North* (1847) 2 Ph 216; *Stott v Milne* (1884) 25 ChD 710, CA. See also para 959 ante. A trustee may, at the cost of the trust estate, oppose a Bill in Parliament which would be prejudicial to it: *Bright v North* supra. Where the person liable to pay the premiums in respect of a policy of assurance belonging to a trust was unable to pay them, the trustee was held entitled to surrender the policy in exchange for a fully paid up policy of a less amount: *Re Steen's Trusts, Steen v Peebles* (1890) 25 LR Ir 544.
3 *Forshaw v Higginson* (1857) 8 De GM & G 827 at 834 per Turner LJ. As to an acknowledgment by a trustee or his agent of a debt due from the trust estate see LIMITATION OF ACTIONS vol 28 (Reissue) para 1084.
4 *Inwood v Twyne* (1762) 2 Eden 148 at 153 per Lord Henley LC; *Lee v Brown* (1798) 4 Ves 362 at 369 per Arden MR; *Seagram v Knight* (1867) 2 Ch App 628 at 630 per Lord Chelmsford LC. As to a trustee's statutory powers to compromise, settle or abandon claims see the Trustee Act 1925 s 15 (prospectively amended); and para 1052 post.
5 *Forshaw v Higginson* (1857) 8 De GM & G 827 at 834. See also paras 948 ante, 1074 et seq post.

973. Express and statutory powers. Powers may be conferred upon a trustee expressly by the instrument creating the trust or by statute. A trustee may exercise all such lawful powers[1], and may use such discretion with respect to the time and manner and extent of exercising them as is permitted by the terms of the instrument conferring them[2].

1 *Costabadie v Costabadie* (1847) 6 Hare 410; *Austin v Austin, Austin v Boyce* (1876) 4 ChD 233; *Gisborne v Gisborne* (1877) 2 App Cas 300, HL; *Tabor v Brooks* (1878) 10 ChD 273; *Re Blake, Jones v Blake* (1885) 29 ChD 913, CA; *Earl of Gainsborough v Watcombe Terra Cotta Clay Co Ltd, Dunning v Earl of Gainsborough* (1885) 54 LJ Ch 991. As to powers of maintenance and advancement see paras 1049–1050 post; and CHILDREN AND YOUNG PERSONS. As to the general powers of trustees of land see para 1035 post. For the meaning of 'trustees of land' see para 724 note 7 ante.
2 *Gisborne v Gisborne* (1877) 2 App Cas 300, HL; *Tabor v Brooks* (1878) 10 ChD 273; *Re Weaver* (1882) 21 ChD 615 at 618, CA; *Re Blake, Jones v Blake* (1885) 29 ChD 913, CA; *Re Burrage, Burningham v Burrage* (1890) 62 LT 752; *Re Atkins, Newman v Sinclair* (1899) 81 LT 421; *Re Powles, Little v Powles* [1954] 1 All ER 516, [1954] 1 WLR 336; *Re Steed's Will Trusts* [1960] Ch 407, [1960] 1 All ER 487, CA. Where there are two separate discretionary trusts for the benefit of the same beneficiary, each trust requires a separate and independent exercise of the discretion, and there is no right of contribution or common obligation between the two trusts: *Smith v Cock* [1911] AC 317, PC. As to the exercise of powers generally see POWERS vol 36(2) (Reissue) para 260 et seq. As to powers in the nature of trusts and discretionary trusts see para 611 ante; and POWERS vol 36(2) (Reissue) para 208 et seq. As to powers being annexed to the office of trustee see EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 471.

B. EXERCISE OF POWERS

974. Proper exercise of powers. A trustee must exercise his powers reasonably and in good faith[1] and for the purposes for which they were created[2]. Accordingly, a trustee may not use the powers which the possession of the legal estate in the trust property confers on him in law except in a proper way for the legitimate purposes of the trust[3].

In exercising his power a trustee must give proper consideration to the matters which are relevant and exclude from consideration matters which are irrelevant[4]. He must, therefore, inform himself before making a decision of matters which are relevant to the decision[5]. These matters may not be limited to simple matters of fact but will on occasion include taking advice from appropriate experts, whether the experts are lawyers, accountants, actuaries, scientists or whomsoever. It is, however, for advisers to advise and for trustees to decide: trustees may not (except in so far as they are authorised to do so[6]) delegate the exercise of their discretions, even to experts[7]. Similarly, although a trustee is entitled to take account of any wishes expressed by the settlor[8], the trustee must reach his own independent conclusion having taken account of such wishes[9]. In reaching decisions as to the exercise of his fiduciary powers, a trustee has to try to weigh up competing factors, which may be incommensurable in character. In that sense he has to be fair. But he is not a court and is not under any general duty to give a hearing to both sides; indeed in many situations 'both sides' is a meaningless expression[10].

It seems that, if the same result as can be achieved legitimately by a circuitous course and the exercise of a power can be achieved directly, the court will not insist on the circuity of action[11]. The court may set aside the purported exercise of a power if the trustees did not apply their minds to the exercise of the discretion given to them[12].

Wherever trustees have a discretionary power and are in doubt how in the relevant circumstances they ought to exercise it, they can go to the court and obtain directions as to what is the proper thing for them to do[13]. The court will not, however, accept from trustees the surrender for the future of a discretion which involves considering from time to time changing circumstances. The court will not relieve the trustees of their obligation to apply their minds to the problem and, if they cannot themselves arrive at a satisfactory answer, to inform the court of the relevant circumstances and seek the court's direction from time to time[14].

Where a trustee is about to exercise a power improperly, he may be restrained by injunction[15].

1 The court will not interfere with the exercise in good faith by a trustee of a discretionary power: *Gisborne v Gisborne* (1877) 2 App Cas 300, HL; *Tempest v Lord Camoys* (1882) 21 ChD 571, CA; *Re Steed's Will Trusts* [1960] Ch 407, [1960] 1 All ER 487, CA. See also para 967 ante. This is so even if the way in which the trustees propose to exercise their discretion is against the wishes of all the living beneficiaries if there are in law other possible beneficiaries not yet born: see *Re Whichelow, Bradshaw v Orpen* [1953] 2 All ER 1558, [1954] 1 WLR 5 (where the court refused to control the exercise by trustees of their voting powers as shareholders of a company). Cf *Butt v Kelson* [1952] Ch 197, sub nom *Re Butt, Butt v Kelson* [1952] 1 All ER 167, CA; and see *Re Brockbank, Ward v Bates* [1948] Ch 206, [1948] 1 All ER 287; *Wilson v Law Debenture Trust Corpn plc* [1995] 2 All ER 337. In *Breadner v Granville-Grossman* [2001] Ch 523, [2000] 4 All ER 705, where the trustees intended to exercise their power of appointment, but had failed to do so within the time limit, the court would not intervene. In relation to a trust deed governing a pension fund see *Harris v Shuttleworth* [1994] ICR 991, [1994] IRLR 547, CA; *Wild v Pensions Ombudsman* [1997] 1 FCR 248, [1996] 2 FLR 680.

2 *Ord v Noel* (1820) 5 Madd 438 at 440 per Leach MR; *Molyneux v Fletcher* [1898] 1 QB 648; *Re Schneider, Kirby v Schneider* (1906) 22 TLR 223; *Smith v Cock* [1911] AC 317, PC; *Dundee General Hospitals v Bell's Trustees* 1950 SC 406. For examples of the need to have regard to the purpose for which a power was conferred see *Re Pauling's Settlement Trusts, Younghusband v Coutts & Co* [1964] Ch 303, [1963] 3 All ER 1, CA (exercise of power of advancement). As to impartiality in the exercise of powers see para 975 post.

3 *Balls v Strutt* (1841) 1 Hare 146 at 149 per Wigram V-C; *Re Manisty's Settlement, Manisty v Manisty* [1974] Ch 17, [1973] 2 All ER 1203. In exercising his powers a trustee must do his best for the beneficiaries and

may be justified in committing a breach of commercial morality in certain circumstances, eg in the exercise of his power of sale: see *Buttle v Saunders* [1950] 2 All ER 193 (where it was held that, even though the trustees had orally agreed to sell the property to a purchaser, they should have accepted a higher offer from another purchaser). As to a trustee's power of sale see para 1041 post.

4 *Edge v Pensions Ombudsman* [1999] 4 All ER 546 at 567, [2000] 3 WLR 79 at 100, CA, per Chadwick LJ.

5 *Re Powles, Little v Powles* [1954] 1 All ER 516, [1954] 1 WLR 336 (exercise of discretionary power to spend capital); *Re Baden's Deed Trust (No 2)* [1973] Ch 9 at 20, 27, [1972] 2 All ER 1304 at 1310, 1316, CA; *Re Hay's Settlement Trusts* [1981] 3 All ER 786 at 792–793, [1982] 1 WLR 202 at 209–210.

6 See para 984 et seq post.

7 *Scott v National Trust for Places of Historic Interest or Natural Beauty* [1998] 2 All ER 705, sub nom *Ex p Scott* [1998] 1 WLR 226; *Dundee General Hospitals Board of Management v Walker* [1952] 1 All ER 896, HL; *Re Hastings-Bass* [1975] Ch 25, [1974] 2 All ER 193, CA; *Mettoy Pension Trustees Ltd v Evans* [1991] 2 All ER 513, [1990] 1 WLR 1587; *Stannard v Fisons Pensions Trust* [1992] IRLR 27, CA.

8 *Charman v Charman* [2005] EWCA Civ 1606 at [67], [2006] 1 WLR 1053 at [67], [2006] 2 FLR 422 at [67] per Lloyd LJ. See also *Re Barr's Settlement Trust, Abacus Trust Co (Isle of Man) v Barr* [2003] EWHC 114 (Ch), [2003] Ch 409, Royal Court of Jersey, where it was held that the decision by trustees to make an appointment could be set aside on the *Hastings-Bass* principle because the trustees had misunderstood the settlor's wishes. As to the *Hastings-Bass* principle see para 977 post.

9 See *Re the Esteem Settlements, Grupa Torras AW v Al-Sabah* [2003] JRC 092 at [166], [2004] WTRL 1 at [166], sub nom *Re Abacus (CI) Ltd (trustee of the Esteem Settlement), Grupo Torras SA v Al Sabah* (2002) 6 ITELR 368 at [166], Royal Court of Jersey; *Re Rabaiotti's 1989 Settlement* (2000) 2 ITELR 763 at 779–780, Royal Court of Jersey.

10 *Scott v National Trust for Places of Historic Interest or Natural Beauty* [1998] 2 All ER 705, sub nom *Ex p Scott* [1998] 1 WLR 226.

11 As to the basis of the non statutory power of personal representatives to appropriate assets in satisfaction of a pecuniary legacy or share of residue see *Re Lepine, Dowsett v Culver* [1892] 1 Ch 210, CA.

12 *Turner v Turner* [1984] Ch 100, [1983] 2 All ER 745 (where appointments by trustees were set aside as they had executed the documents at the settlor's behest without understanding that they had a discretion whether or not to make the appointments).

13 *Talbot v Talbot* [1968] Ch 1, [1967] 2 All ER 920, CA. See also *Thrells Ltd v Lomas* [1993] 2 All ER 546, [1993] 1 WLR 456 (conflict of interest); *Fuller v Evans* [2000] 1 All ER 636, [2000] Fam Law 542; *Breadner v Granville-Grossman* [2001] Ch 523, [2000] 4 All ER 705.

14 *Re Allen-Meyrick's Will Trusts, Mangnall v Allen-Meyrick* [1966] 1 All ER 740, [1966] 1 WLR 499.

15 *Re Chertsey Market, ex p Walthew* (1819) 6 Price 261 at 279 per Richards CB; *Reeve v Parkins* (1820) 2 Jac & W 390; *Anon* (1821) 6 Madd 10; *Ludlow Corpn v Greenhouse* (1827) 1 Bli NS 17 at 57, HL, per Lord Eldon LC; *Milligan v Mitchell* (1833) 1 My & K 446; *A-G v Liverpool Corpn* (1835) 1 My & Cr 171 at 210; *Balls v Strutt* (1841) 1 Hare 146; *Marshall v Sladden* (1851) 4 De G & Sm 468 at 469 per Knight Bruce V-C; *Dance v Goldingham* (1873) 8 Ch App 902; *Waller v Waller* [1967] 1 All ER 305, [1967] 1 WLR 451. See also INJUNCTIONS vol 24 (Reissue) para 922.

975. Impartial exercise of powers. In exercising or refraining from the exercise of any power a trustee must act honestly[1], and must not benefit one beneficiary at the expense of another[2], except so far as the exercise of a discretion expressly permitted to him by the instrument creating the trust necessarily involves that result[3].

If the power is one for the good administration of the trust estate, the trustee must exercise it in the general interest of the estate and of all beneficiaries[4].

If the trust has only a limited estate or interest in the trust property, the trustee may not exercise the power in such a manner as to prejudice the rights of a remainderman[5].

1 *Marquis of Camden v Murray* (1880) 16 ChD 161 at 170 per Malins V-C; *Tempest v Lord Camoys* (1882) 21 ChD 571, CA; *Re Blake, Jones v Blake* (1885) 29 ChD 913, CA; *Re Burrage, Burningham v Burrage* (1890) 62 LT 752; *Re Smith, Smith v Thompson* [1896] 1 Ch 71. Cf *Re Evans, Jones v Evans* [1913] 1 Ch 23 at 33.

2 *Wood v Patteson* (1874) 10 Beav 541 at 543–544. See para 951 ante.

3 *Costabadie v Costabadie* (1847) 6 Hare 410; *Gisborne v Gisborne* (1877) 2 App Cas 300, HL; *Tabor v Brooks* (1878) 10 ChD 273; *Re Lofthouse* (1885) 29 ChD 921, CA; *Re Courtier, Coles v Courtier, Courtier v Coles* (1886) 34 ChD 136, CA; *Re Bryant, Bryant v Hickley* [1894] 1 Ch 324; *Train v Clapperton* [1908] AC 342, HL; *Re Charteris, Charteris v Biddulph* [1917] 2 Ch 379, CA. Properly understood, the duty to act impartially is no more than the duty to exercise a discretionary power for the purpose it was given, giving consideration to matters which are relevant and excluding from consideration matters which are irrelevant; a preference will be the result of a proper exercise of a discretionary power: *Edge v Pensions Ombudsman* [2000] Ch 602 at 627, [1999] 4 All ER 546 at 567, CA, per Chadwick LJ.

4 *Re Charteris, Charteris v Biddulph* [1917] 2 Ch 379 at 394, 398–399; followed in *Re Hayes' Will Trusts, Pattinson v Hayes* [1971] 2 All ER 341, [1971] 1 WLR 758. It seems that the legitimate expectation of potential beneficiaries should be taken into account: *Scott v National Trust for Places of Historic Interest or Natural Beauty* [1998] 2 All ER 705, sub nom *Ex p Scott* [1998] 1 WLR 226.
5 *Jesse v Lloyd* (1883) 48 LT 656 at 659 per Kay J.

976. Invalid exercise of powers. There are several different categories of case where the exercise by trustees of a discretionary power may be invalid[1]: (1) there may be a formal or procedural defect, such as the failure to use the stipulated form of document (for example, a document under hand instead of a deed), or to obtain a necessary prior consent[2]; (2) the power may have been exercised in a way which it does not authorise (for example, with an unauthorised delegation)[3], or by the inclusion of beneficiaries who are not objects of the power[4]; (3) the exercise may infringe some rule of the general law, such as the rule against perpetuities[5]; (4) the trustees may have exercised the power for an improper purpose, in cases known as fraud on the power[6]; (5) the trustees may have been unaware that they had any discretion to exercise[7].

In addition to these categories, of which the first four are clear and well-established, there is now the developing rule or principle in *Hastings-Bass*, where the trustees have failed to have regard to some relevant consideration which they ought to have taken into account[8].

1 As to intervention by the court in these circumstances see para 1067 et seq post.
2 *Sieff v Fox* [2005] EWHC 1312 (Ch) at [38], [2005] 3 All ER 693 at [38], [2004] 1 WLR 3811 at [38] per Lloyd LJ; *Re Phillips, Robinson v Burke* (1889) 41 ChD 417; *Re Evered, Molyneux v Evered* [1910] 2 Ch 147.
3 *Sieff v Fox* [2005] EWHC 1312 (Ch) at [38], [2005] 3 All ER 693 at [38], [2004] 1 WLR 3811 at [38] per Lloyd LJ; *A-G v Scott* (1789) 1 Ves Sen 413, sub nom *Wilson v Dennison* (1750) Amb 82; *Wilson v Kirshaw* (1750) 7 Bro Parl Cas 296; *Re Boulton's Settlement Trust, Stewart v Boulton* [1928] Ch 703; *Green v Whitehead* [1930] 1 Ch 38, CA; *Re Hay's Settlement Trusts* [1981] 3 All ER 786, [1982] 1 WLR 202.
4 *Sieff v Fox* [2005] EWHC 1312 (Ch) at [38], [2005] 3 All ER 693 at [38], [2004] 1 WLR 3811 at [38] per Lloyd LJ; *Re Gulbenkian's Settlement Trusts, Wishaw v Stephens* [1970] AC 508, [1968] 3 All ER 785.
5 *Sieff v Fox* [2005] EWHC 1312 (Ch) at [38], [2005] 3 All ER 693 at [38], [2004] 1 WLR 3811 at [38] per Lloyd LJ.
6 *Sieff v Fox* [2005] EWHC 1312 (Ch) at [38], [2005] 3 All ER 693 at [38], [2004] 1 WLR 3811 at [38] per Lloyd LJ (citing *Cloutte v Storey* [1911] 1 Ch 18, [1908–10] All ER Rep 1073; *Hillsdown Holdings plc v Pensions Ombudsman* [1997] 1 All ER 862). See also Thomas on Powers (1st Edn) p 453 et seq.
7 *Sieff v Fox* [2005] EWHC 1312 (Ch) at [38], [2005] 3 All ER 693 at [38], [2004] 1 WLR 3811 at [38] per Lloyd LJ (citing *Turner v Turner* [1984] Ch 100, [1983] 2 All ER 745).
8 *Sieff v Fox* [2005] EWHC 1312 (Ch) at [38], [2005] 3 All ER 693 at [38], [2004] 1 WLR 3811 at [38] per Lloyd LJ. See further para 977 post.

977. '*Hastings-Bass*' principle. The rule in *Hastings-Bass* is a comparatively recent development[1]. Where a trustee acts under a discretion given to him by the terms of the trust, in circumstances in which he is free to decide whether or not to exercise that discretion, but the effect of the exercise is different from that which he intended, the court will interfere with his action if it is clear that he would not have acted as he did had he not failed to take into account considerations which he ought to have taken into account, or taken into account considerations which he ought not to take into account[2]. Where only part of the decision is affected, the court will set aside only the affected part[3].

The principle may apply where there has been no breach of duty by the trustees or their advisers or agents[4]. Fiscal consequences are amongst the matters which may be relevant for the purposes of the principle[5]. The court has declined to extend the *Hasting-Bass* principle to a contract concluded between a trustee and a third party[6].

1 The relevant cases contributing to its development were reviewed by Lloyd LJ sitting as a judge of the Chancery Division in *Sieff v Fox* [2005] EWHC 1312 (Ch), [2005] 3 All ER 693, [2004] 1 WLR 381.

See *Re Vestey's Settlement, Lloyd's Bank Ltd v O'Meara* [1951] Ch 209, [1950] 2 All ER 891, CA; *Re Pilkington's Will Trusts, Pilkington v Pilkington* [1964] AC 612, [1962] 3 All ER 622; *Re Abraham's Will Trusts, Caplan v Abrahams* [1969] 1 Ch 463, [1967] 2 All ER 1175; *Re Hastings-Bass, Hastings-Bass v IRC* [1975] Ch 25, [1974] 2 All ER 193, CA.

2 *Sieff v Fox* [2005] EWHC 1312 (Ch) at [119], [2005] 3 All ER 693 at [119], [2004] 1 WLR 3811 at [119] per Lloyd LJ sitting as a judge of the Chancery Division. Only where the beneficiary is entitled to require the trustees to act is it sufficient to vitiate the decision if consideration of the relevant matters might materially have affected it: see *Kerr v British Leyland (Staff) Trustees Ltd* (1986) [2001] WTLR 1071, CA; *Stannard v Fisons Pension Trust Ltd* [1990] 1 PLR 179; *Sieff v Fox* supra; *Betafence Ltd v Veys* [2006] EWHC 999 (Ch), (2006) 8 ITELR 917. But as to whether this is a correct approach in the case of pension trusts where the members have 'bought' their benefits see *Re Barr's Settlement Trusts, Abacus Trust Company (Isle of Man) v Barr* [2003] EWHC 114 (Ch) at [23], [2003] Ch 409 at [23], [2003] 1 All ER 763 at [23] per Lightman J. See also David Hayton 'Pension Trusts and Traditional Trusts: Drastically Different Species of Trusts' in *The Conveyancer and Property Lawyer* (2005) p 229.

3 *Burrell v Burrell* [2005] EWHC 245 (Ch), [2005] STC 569. As to whether infringement of the *Hasting-Bass* principle renders the exercise of the power void rather than voidable see *Green v Cobham* [2002] STC 820, [2000] WTLR 1101 (void); *AMP (UK) plc v Barker* [2001] PLR 77 (void); *Abacus Trust Company (Isle of Man) Ltd v NSPCC* (2001) 3 ITELR 846, [2001] STC 1344 (void); *Re Barr's Settlement Trusts, Abacus Trust Company (Isle of Man) Ltd v Barr* [2003] EWHC 114 (Ch), [2003] Ch 409, [2003] 1 All ER 763 (held to be voidable: see at [28]–[33] per Lightman J); *Gallaher Ltd v Gallaher Pensions Ltd* [2005] EWHC 42 (Ch), [2005] All ER (D) 177 (Jan) (void); *Sieff v Fox* [2005] EWHC 1312 (Ch), [2005] 3 All ER 693, [2005] 1 WLR 3811 (held to be void).

4 *Sieff v Fox* [2005] EWHC 1312 (Ch) at [119], [2005] 3 All ER 693 at [119], [2004] 1 WLR 3811 at [119] per Lloyd LJ. Cf *Re Barr's Settlement Trusts, Abacus Trust Co (Isle of Man) Ltd v Barr* [2003] EWHC 114 (Ch), [2003] Ch 409, [2003] 1 All ER 763.

5 *Abacus Trust Co (Isle of Man) Ltd v NSPCC* (2001) 3 ITELR 846 at 858–859, [2001] STC 1344 at 1353–1354 per Patten J; *Green v Cobham* [2002] STC 820, [2000] WTLR 1101; *Sieff v Fox* [2005] EWHC 1312 (Ch) at [119], [2005] 3 All ER 693 at [119], [2004] 1 WLR 3811 at [119] per Lloyd LJ; *Burrell v Burrell* [2005] EWHC 245 (Ch) at [19], [2005] STC 569 at [19] per Mann J. Her Majesty's Revenue and Customs will consider participating in cases where large amounts of tax are at stake and/or where it can usefully contribute to the elucidation and development of the principle: Inland Revenue *Tax Bulletin*, Issue 83, June 2006.

6 *Donaldson v Smith* (2006) 150 Sol Jo LB 744, [2006] All ER (D) 293 (May). The impact of mistake or misunderstanding by one or both parties on a contract is addressed and regulated by the general law of contract; there is no room for the application of the *Hastings-Bass* principle in this area.

978. Control over the exercise of the trustees' powers. Once the trust is completely constituted the settlor has no control over the administration of the trust by the trustees[1], except in so far as there is some appropriate provision in the trust instrument. Thus the trust instrument may require the trustees to obtain the consent of the settlor to the exercise of specified powers, or they may be required to obtain the consent of a named person or persons[2]. Particularly in the case of overseas settlements with foreign trustees, it is a common practice to appoint 'protectors'[3] for this purpose, who may be given a wide variety of powers. The exact status and powers of the protector depend on the terms of the trust instrument: prima facie his powers are fiduciary[4]. There are limits, however, to the powers which he may be given. He cannot be given power to determine questions of law arising in the construction or administration of the trust[5], and it is doubtful whether he could be empowered to deprive the beneficiaries of their right to inspect the trust documents[6].

1 There is widespread use by settlors of letters of wishes which are not legally binding: see para 974 ante.

2 See the Trusts of Land and Appointment of Trustees Act 1996 s 8(2); and para 1035 post.

3 A protector may be called by some other name, such as adviser, appointor or management committee. Tax considerations may explain why the settlor appoints a protector rather than reserving powers to himself.

4 See *IRC v Schroder* [1983] STC 480, 57 TC 94. It seems that the court has the same inherent jurisdiction as in respect of trustees to appoint a person to exercise the protector's powers, or, as a last resort, to exercise those powers itself: see *Steele v Paz Ltd (in liquidation)* (unreported), extracts from which appear in Butterworths Offshore Cases and Materials (1996) vol 1 at p 338 et seq.

5 See *Re Wynn* [1952] Ch 271, sub nom *Re Wynn's Will Trusts* [1952] 1 All ER 341; and para 1070 post.
6 See *Re Londonderry's Settlement* [1965] Ch 918, [1964] 3 All ER 855, CA; and paras 962 ante, 1057 post.

979. Exercise of discretionary powers after payment into court or where trust administered by court. A trustee may not exercise a discretionary power in relation to a trust fund which has been paid into court[1].

Where a trust is being administered by the court[2], the trustee may, with the sanction of the court[3], exercise discretionary powers with respect to it[4], but he cannot act without that sanction[5], and in a proper case the court will control the exercise of his discretion[6].

1 As to the effect of payment into court see para 922 ante. See also *Re Nettlefold's Trusts* (1888) 59 LT 315.
2 As to the administration of trusts by the court see para 1067 et seq post.
3 *Shewen v Vanderhorst* (1830) 2 Russ & M 75 per Leach MR (affd (1831) 1 Russ & M 347); *Mitchelson v Piper* (1836) 8 Sim 64; *Minors v Battison* (1876) 1 App Cas 428 at 438, HL, per Lord Chelmsford; *Re Gadd, Eastwood v Clark* (1883) 23 ChD 134, CA; *Cecil v Langdon* (1884) 28 ChD 1, CA; *Re Hall, Hall v Hall* (1885) 51 LT 901.
4 *Jones v Powell* (1841) 4 Beav 96; *Gisborne v Gisborne* (1877) 2 App Cas 300, HL; *Warren v Clancy* [1898] 1 IR 127, Ir CA.
5 *Walker v Smalwood* (1768) Amb 676. Therefore, on a purchase of land from trustees, a search must be made for any pending claim: see LAND CHARGES vol 26 (2004 Reissue) para 647 et seq. It has been held, however, that where statutory trusts supervened, e g owing to the land being held in undivided shares, those trusts and the powers incidental to them could be exercised without the consent of the court (see *Bernhardt v Galsworthy* [1929] 1 Ch 549), and the same view may well be taken in relation to a trust of land under the Trusts of Land and Appointment of Trustees Act 1996. For the meaning of 'trust of land' see para 605 note 5 ante.
6 *Bethell v Abraham* (1873) LR 17 Eq 24; *Walker v Walker* (1820) 5 Madd 424; *Re Viscount Furness, Wilson v Kenmare* [1943] Ch 415, [1944] 1 All ER 66. As to the court's interference in the administration of a trust see further para 1067 post; and EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 705.

980. Disclaimer and release of powers. A trustee or other person to whom any power is given, whether coupled with an interest or not[1], may by deed disclaim the power before expressly or impliedly accepting any trusteeship under which the power arises, and, after the disclaimer, is not capable of exercising or joining in the exercise of the power[2]. On such disclaimer the power may be exercised by the other or others, if any, of the persons to whom the power is given, or the survivor or survivors of those others, unless the contrary is expressed in the instrument creating the power[3]. This power of disclaimer does not, however, enable a trustee to get rid of part of the trusts imposed on him[4].

A person who has a special power of appointment in his capacity as trustee may release it only if authorised by the trust instrument[5]; but a person who has a special power of appointment in his private capacity may release it whenever he wishes[6].

1 As to powers coupled with an interest see POWERS vol 36(2) (Reissue) para 201 et seq.
2 Law of Property Act 1925 s 156(1). See further POWERS vol 36(2) (Reissue) para 375.
3 Ibid s 156(2).
4 See POWERS vol 36(2) (Reissue) para 375. As to the effect of disclaimer of office by a trustee see para 814 ante.
5 See *Re Courage Group's Pension Schemes, Ryan v Imperial Brewing and Leisure Group Ltd* [1987] 1 All ER 528, [1987] 1 WLR 495. Alternatively the power may be extinguished on an application under the Variation of Trusts Act 1958: see para 1062 et seq post.
6 See *Re Wills' Trust Deeds, Wills v Godfrey* [1964] Ch 219, [1963] 1 All ER 390; *Re Evered, Molineux v Evered* [1910] 2 Ch 147, CA; and POWERS vol 36(2) (Reissue) paras 375–376.

C. DEVOLUTION AND TRANSMISSION OF POWERS

981. Devolution of powers. Every new trustee appointed either under the statutory power[1] or by a court of competent jurisdiction has the same powers,

authorities and discretions as if he had originally been appointed trustee by the instrument, if any, creating the trust[2], unless a contrary intention is expressed in that instrument[3]. Where new trustees are appointed under an express power in a trust instrument, the principle applicable is that prima facie powers given to trustees are incident to their office and pass to the holders of the office for the time being in the absence of a contrary intention expressed in clear language[4]. Apart from statute, on the death of a sole or last surviving trustee the trusts and powers vested in him may only be executed by some person pointed out by the creator of the trust as a proper person for that purpose[5]. Until the appointment of new trustees[6], the personal representatives of a sole or last surviving or continuing trustee, unless a contrary intention is expressed in the trust instrument, may exercise or perform any power or trust which was given to, or capable of being exercised by, the sole or last surviving or continuing trustee, or other the trustees or trustee for the time being of the trust[7].

1 As to appointment under statute see para 835 et seq ante.
2 See the Trustee Act 1925 ss 36(7), 43; and paras 843, 854 ante. As to appointment by the court see para 849 et seq ante.
3 See ibid s 69(2); and para 603 ante.
4 See *Re Smith, Eastick v Smith* [1904] 1 Ch 139 at 144 per Farwell J; *Re Hampton, Public Trustee v Hampton* (1918) 88 LJ Ch 103.
5 *Re Crunden and Meux's Contract* [1909] 1 Ch 690. See also *Cooke v Crawford* (1842) 13 Sim 91 at 96 per Shadwell V-C; *Re Morton and Hallett* (1880) 15 ChD 143, CA; *Re Cunningham and Frayling* [1891] 2 Ch 567.
6 See para 818 et seq ante. As the personal representatives are acting in the capacity of trustees, any capital money must be paid to at least two persons or a trust corporation: see the Trustee Act 1925 s 18(3); the Law of Property Act 1925 s 27(2) (as substituted and amended); and paras 799, 817, 822 ante.
7 See the Trustee Act 1925 s 18(2); and para 817 ante. If the last surviving personal representative fails to appoint new trustees, the trust powers devolve on his executor if executor by representation of the sole or last surviving trustee; otherwise the trust powers may only be exercisable by someone who obtains a grant of letters of administration to the estate of the sole or last surviving trustee: see Underhill and Hayton *Law relating to Trusts and Trustees* (17th Edn, 2007) p 916.

982. Exercise of power where trustee mentally disordered or lacking capacity. Until 1 October 2007[1], where a power is vested in a person suffering from mental disorder in the character of a trustee, or the consent of the person to the exercise of a power is necessary in that character the judge[2] may authorise the exercise of the power and may make such orders and give such directions in connection with it as he thinks fit[3].

As from 1 October 2007[4], where a power is vested in a person in the character of a trustee, or the consent of a person to the exercise of a power is necessary in that character and that person lacks capacity[5] in relation to the matter, the Court of Protection[6] may by making an order make the decision or decisions on that person's behalf[7] and may make such further orders or give such directions as it thinks necessary or expedient for giving effect to, or otherwise in connection with, any order or appointment made by it[8].

1 The Mental Health Act 1983 Pt VII (ss 93–113) is repealed by the Mental Capacity Act 2005 ss 66(1)(a), (2), 67(2), Sch 7 as from 1 October 2007: see the Mental Capacity Act 2005 (Commencement No 2) Order 2007, SI 2006/1897.
2 For the meaning of 'the judge' for these purposes see the Mental Health Act 1983 s 94(1) (as amended); and MENTAL HEALTH vol 30(2) (Reissue) para 674.
3 See ibid s 96(1)(k) (prospectively repealed); and para 830 ante. See note 1 supra.
4 The Mental Capacity Act 2005 ss 16, 18 come into force on 1 October 2007: see the Mental Capacity Act 2005 (Commencement No 2) Order 2007, SI 2006/1897.
5 Ie within the meaning of the Mental Capacity Act 2005 s 2 (see MENTAL HEALTH vol 30(2) (Reissue) para 641).
6 As to the Court of Protection see MENTAL HEALTH vol 30(2) (Reissue) para 750.

7 See the Mental Capacity Act 2005 ss 16(2)(a), 18(1)(j); and MENTAL HEALTH vol 30(2) (Reissue) paras 757, 759. See note 4 supra.
8 See ibid s 16(5); and MENTAL HEALTH vol 30(2) (Reissue) para 757. See note 4 supra.

983. Survivorship. Apart from under statute, a bare power given to two or more trustees in whom no estate is vested cannot be exercised by the survivor or survivors unless an intention to that effect is shown by the instrument creating the trust[1]. A power given to trustees in whom the estate is also vested may, however, be exercised by the survivor, unless a contrary intention is indicated by the creator of the trust[2].

By statute, any power or trust given to or imposed on two or more trustees jointly may be exercised or performed by the survivor or survivors of them for the time being[3], unless a contrary intention is expressed in the instrument creating the trust[4].

1 See POWERS vol 36(2) (Reissue) para 262.
2 See POWERS vol 36(2) (Reissue) para 262.
3 Trustee Act 1925 s 18(1). See further POWERS vol 36(2) (Reissue) para 262. Section 18 takes effect subject to the restrictions imposed in regard to receipts by a sole trustee, not being a trust corporation: see s 18(3); and para 981 ante. For the meaning of 'trust corporation' see para 798 ante.
4 See ibid s 69(2); and para 603 ante.

(ii) Power To Delegate And Employ Agents

A. DELEGATION OF POWERS

984. Power of individual trustee to delegate discretions for a year. So far as a contrary intention is not expressed in the trust instrument[1] and notwithstanding any rule of law or equity to the contrary, a trustee may, by power of attorney, delegate for a period the execution or exercise of all or any of the trusts, powers and discretions vested in him as trustee either alone or jointly with any other person or persons[2]. Such a delegation commences as provided by the instrument creating the power or, if the instrument makes no provision as to the commencement of the delegation, with the date of the execution of the instrument by the donor and continues for a period of 12 months or any shorter period provided by the instrument creating the power[3]. The persons who may be donees of such a power of attorney include a trust corporation[4].

Before or within seven days after giving a power of attorney the donor must give written notice of it to each person (other than himself), if any, who under any instrument creating the trust has power, whether alone or jointly, to appoint a new trustee and each of the other trustees, if any[5]. The notice must specify the date on which the power comes into operation and its duration, the donee of the power, the reason why the power is given and, where some only are delegated, the trusts, powers and discretions delegated[6]. However, failure to comply with this requirement does not, in favour of a person dealing with the donee of the power, invalidate any act done or instrument executed by the donee[7].

A power of attorney given by a single donor in the specified form[8], or in a form to the like effect but expressed to be made under these provisions, operates to delegate to the person identified in the form as the single donee of the power the execution and exercise of all the trusts, powers and discretions vested in the donor as trustee (either alone or jointly with any other person or persons) under the single trust so identified[9].

For the purpose of executing or exercising the trusts or powers delegated to him, the donee may exercise any of the powers conferred on the donor as trustee by statute or by the instrument creating the trust, including power, for the purpose of the transfer of any inscribed stock, himself to delegate to an attorney power to transfer, but not including the power of delegation conferred by these provisions[10]. The fact that it appears from

any power of attorney given under these provisions, or from any evidence required for the purposes of any such power of attorney or otherwise, that in dealing with any stock the donee of the power is acting in the execution of a trust may not be deemed for any purpose to affect any person in whose books the stock is inscribed or registered with any notice of the trust[11].

The donor of the power is liable for the acts or defaults of the donee in the same manner as if they were the acts or defaults of the donor[12].

1 See the Trustee Act 1925 s 69(2); and para 603 ante.

2 Ibid s 25(1) (s 25 substituted by the Trustee Delegation Act 1999 s 5(1), (2)). The Trustee Act 1925 s 25 (as substituted) has effect in relation to powers of attorney created after the commencement of the Trustee Delegation Act 1999 (i e 1 March 2000): s 5(2). The provisions of the Trustee Act 1925 s 25 (as substituted) also apply with modifications to a personal representative, tenant for life and statutory owner: s 25(10) (as so substituted).

Subject to the Trustee Delegation Act 1999 s 1 (see para 985 post), a general power of attorney may not be used: see the Powers of Attorney Act 1971 s 10(2) (amended by the Trustee Delegation Act 1999 s 3). See also AGENCY vol 2(1) (Reissue) para 57.

3 Trustee Act 1925 s 25(2) (as substituted: see note 2 supra). The Enduring Powers of Attorney Act 1985 s 2(8), which prevented a power of attorney under the Trustee Act 1925 s 25 (as originally enacted) from being an enduring power, does not apply to powers of attorney created after 1 March 2000: see the Trustee Delegation Act 1999 s 6 (prospectively repealed by the Mental Capacity Act 2005 s 67(2), Sch 7). As from 1 October 2007 the Enduring Powers of Attorney Act 1985 s 2(8) is repealed by the Mental Capacity Act 2005 ss 66(1)(b), (2), 67(2), Sch 7: see the Mental Capacity Act 2005 (Commencement No 2) Order 2007, SI 2006/1897. For transitional provisions and savings the Mental Capacity Act 2005 see s 66(3), (4), Sch 4, Sch 5 Pt 2.

4 Trustee Act 1925 s 25(3) (as substituted: see note 2 supra).

5 Ibid s 25(4) (as substituted: see note 2 supra). The previous requirement of attestation by at least one witness became unnecessary following the enactment of the Law of Property (Miscellaneous Provisions) Act 1989 s 1(3) (as amended) (see GIFTS vol 20(1) (Reissue) para 32).

6 Trustee Act 1925 s 25(4) (as substituted: see note 2 supra).

7 Ibid s 25(4) (as substituted: see note 2 supra). Where a power of attorney has been revoked and a person without knowledge of the revocation deals with the donee of the power, the transaction between them is, in favour of that person, as valid as if the power had then been in existence: Powers of Attorney Act 1971 s 5(2). A donee of a power of attorney who acts in pursuance of the power at a time when it has been revoked does not by reason of the revocation incur any liability (either to the donor or to any other person) if at that time he did not know that the power had been revoked: see s 5(1). See further AGENCY vol 2(1) (Reissue) para 219.

8 As to the specified form see the Trustee Act 1925 s 25(6) (as substituted: see note 2 supra).

9 Ibid s 25(5) (as substituted: see note 2 supra).

10 Ibid s 25(8) (as substituted: see note 2 supra).

11 Ibid s 25(9) (as substituted: see note 2 supra).

12 Ibid s 25(7) (as substituted: see note 2 supra).

985. Power of individual trustee to delegate under the Trustee Delegation Act 1999. The Trustee Delegation Act 1999 creates a statutory exception to the general rule that a trustee must exercise in person the functions vested in him as a trustee[1]. It provides that a donee of a power of attorney created after 1 March 2000[2] is not prevented from doing an act in relation to land[3], capital proceeds of a conveyance[4] of land or income from land, by reason only that the act involves the exercise of a trustee function of the donor[5] if, at the time when the act is done, the donor has a beneficial interest in the land, proceeds or income[6]. The person creating the trust or the donor may, however, exclude or restrict this provision in the instrument creating the trust, or the power of attorney, as the case may be[7].

The donor of the power of attorney is liable for the acts or defaults of the donee in exercising any function by virtue of these provisions in the same manner as if they were the acts or defaults of the donor[8].

The fact that it appears that, in dealing with any shares or stock, the donee of the power of attorney is exercising a function by virtue of these provisions does not affect with any notice of any trust a person in whose books the shares are, or stock is, registered or inscribed[9].

It follows from the terms of these provisions that a person dealing with a donee needs to know whether the donor has a beneficial interest in the relevant property. Where the interest of a purchaser[10] depends on the donee of a power of attorney having power to do an act in relation to any property[11], an appropriate statement[12] is, in favour of the purchaser, conclusive evidence of the donor having a beneficial interest in the property at the time of the doing of the act[13].

1 As to the general rule that a trustee must exercise in person the functions vested in him as a trustee see para 952 ante.

2 Ie the date of commencement of the Trustee Delegation Act 1999. Generally, s 1 applies only to powers of attorney created after that date (see s 1(9)); however, s 1 applies to an enduring power created before the commencement of the Act from the time when (in accordance with s 4) the Enduring Powers of Attorney Act 1985 s 3(3) ceases to apply to it (Trustee Delegation Act 1999 s 4(6) (prospectively repealed by the Mental Capacity Act 2005 s 67(2), Sch 7)). References in the Trustee Delegation Act 1999 to the creation of a power of attorney are to the execution by the donor of the instrument creating it: s 11(2). The Enduring Powers of Attorney Act 1985 s 3(3) does not apply to enduring powers created after the commencement of the Trustee Delegation Act 1999 (i e 1 March 2000) (see s 4(1) (prospectively repealed by the Mental Capacity Act 2005 Sch 7)), and is repealed except in relation to enduring powers created before that date (see the Trustee Delegation Act 1999 s 12, Schedule). As to when the Enduring Powers of Attorney Act 1985 s 3(3) ceases to apply to enduring powers created before that date see the Trustee Delegation Act 1999 s 4(2)–(5) (prospectively repealed by the Mental Capacity Act 2005 Sch 7). The Enduring Powers of Attorney Act 1985 s 3(3) is repealed by the Mental Capacity Act 2005 ss 66(1)(b), (2), 67(2), Sch 7 as from 1 October 2007: see the Mental Capacity Act 2005 (Commencement No 2) Order 2007, SI 2006/1897. For transitional provisions and savings see the Mental Capacity Act 2005 s 66(3), (4), Sch 4, Sch 5 Pt 2. See further AGENCY vol 2(1) (Reissue) para 46.

3 Where the donee of a power of attorney is authorised by the power to do an act of any description in relation to any land, his authority to do an act of that description at any time includes authority to do it with respect to any estate or interest in the land which is held at that time by the donor (whether alone or jointly with any other person or persons): Trustee Delegation Act 1999 s 10(1). This provision applies only if and so far as a contrary intention is not expressed in the instrument creating the power of attorney, and has effect subject to the terms of that instrument: s 10(2). For the meaning of 'land' see para 605 note 5 ante; definition applied by s 11(1).

4 For these purposes, 'conveyance' has the same meaning as in the Law of Property Act 1925 (see DEEDS AND OTHER INSTRUMENTS vol 13 (2007 Reissue) para 14): Trustee Delegation Act 1999 s 1(2)(a).

5 References to a trustee function of the donor are to a function which the donor has as trustee (either alone or jointly with any other person or persons): ibid s 1(2)(b). The donee of a power of attorney is not to be regarded as exercising a trustee function by virtue of s 1(1) if he is acting under a trustee delegation power: s 1(8). For this purpose, a trustee delegation power is a power of attorney given under a statutory provision or a provision of the instrument (if any) creating the trust, under which the donor of the power is expressly authorised to delegate the exercise of all or any of his trustee functions by power of attorney: s 1(8).

6 Ibid s 1(1). These provisions are of particular benefit to co-owners of land who are essentially trustees for themselves, enabling them to delegate without having to comply with the restrictions which apply where trustees hold land only for third parties (see para 984 ante). In the few remaining cases where (by way of exception to the Trusts of Land and Appointment of Trustees Act 1996 s 3(1) (see para 967 ante) the doctrine of conversion continues to operate, any person who, by reason of the continuing operation of that doctrine, has a beneficial interest in the proceeds of sale of land is treated for the purposes of the Trustee Delegation Act 1999 ss 1, 2 as having a beneficial interest in the land: s 1(7).

7 Ibid s 1(1) applies only if and so far as a contrary intention is not expressed in the instrument creating the power of attorney, and has effect subject to the terms of that instrument: s 1(3). The provisions of s 1(1), (4) (see the text and note 8 infra) apply only if and so far as a contrary intention is not expressed in the instrument (if any) creating the trust, and have effect subject to the terms of such an instrument: s 1(5).

8 Ibid s 1(4)(a). The donor is not liable, however, by reason only that a function is exercised by the donee by virtue of these provisions: s 1(4)(b).

9 Ibid s 1(6). Cf the Trustee Act 1925 s 25(9) (as substituted); and para 984 ante.

10 For these purposes, 'purchaser' has the same meaning as in the Law of Property Act 1925 Pt I (ss 1–39) (as amended) (see SALE OF LAND vol 42 (Reissue) para 55): Trustee Delegation Act 1999 s 2(1).
11 Ibid s 2(1).
12 'An appropriate statement' means a signed statement made by the donee when doing the act in question, or at any other time within the period of three months beginning with the day on which the act is done, that the donor has a beneficial interest in the property at the time of the donee doing the act: ibid s 2(3).
13 Ibid s 2(2). If an appropriate statement is false, the donee is liable in the same way as he would be if the statement were contained in a statutory declaration: s 2(4). As to statutory declarations see EVIDENCE; and see also CRIMINAL LAW, EVIDENCE AND PROCEDURE vol 11(2) (2005 Reissue) para 717.

986. Application of the 'two trustee rules' to an attorney acting for a trustee. The Trustee Delegation Act 1999 contains provisions intended to strengthen and clarify the operation of the 'two trustee rules'[1] in relation to an attorney acting for a trustee. A requirement imposed by an enactment: (1) that money be paid to, or dealt with as directed by, at least two trustees or that a valid receipt for capital money be given otherwise than by a sole trustee[2]; or (2) that, in order for an interest or power to be overreached, a conveyance or deed be executed by at least two trustees[3], is not satisfied by money being paid to or dealt with as directed by, or a receipt for money being given by, a relevant attorney[4] or by a conveyance or deed being executed by such an attorney[5].

1 See para 822 ante.
2 Trustee Delegation Act 1999 s 7(1)(a).
3 Ibid s 7(1)(b).
4 For these purposes, 'relevant attorney' means a person (other than a trust corporation within the meaning of the Trustee Act 1925: see para 798 ante) who is acting either: (1) both as a trustee and as attorney for one or more other trustees; or (2) as attorney for two or more trustees, and who is not acting together with any other person or persons: Trustee Delegation Act 1999 s 7(2).
5 Ibid s 7(1). Section 7 applies whether a relevant attorney is acting under a power created before or after the commencement of the Trustee Delegation Act 1999 (i e 1 March 2000); but, in the case of such an attorney acting under an enduring power created before that date, s 7 is without prejudice to any continuing application of the Enduring Powers of Attorney Act 1985 s 3(3) (repealed with savings) after that date in accordance with the Trustee Delegation Act 1999 s 4 (see para 985 ante): s 7(3). As from 1 October 2007 s 7(3) is amended by the Mental Capacity Act 2005 s 67(2), Sch 7 so as to remove the reference to the Trustee Delegation Act 1999 s 4, and the Enduring Powers of Attorney Act 1985 s 3(3) is repealed by the Mental Capacity Act 2005 ss 66(1)(b), (2), 67(2), Sch 7: see the Mental Capacity Act 2005 (Commencement No 2) Order 2007, SI 2006/1897. For transitional provisions and savings see the Mental Capacity Act 2005 s 66(3), (4), Sch 4, Sch 5 Pt 2.

987. Collective delegation by trustees of land. Trustees of land[1] may, by power of attorney, delegate, for a specified period or indefinitely, to any beneficiary[2] or beneficiaries of full age and beneficially entitled to an interest in possession of land subject to the trust any of their functions as trustees which relate to the land[3]. Such a power of attorney cannot, however, be an enduring power of attorney within the meaning of the Enduring Powers of Attorney Act 1985 (or, as from 1 October 2007, a lasting power of attorney within the meaning of the Mental Capacity Act 2005)[4].

Where trustees purport to delegate to a person by a power of attorney under these provisions and another person in good faith deals with him in relation to the land, he is presumed in favour of that other person to have been a person to whom the functions could be delegated unless that other person has knowledge at the time of the transaction that he was not such a person[5].

A power of attorney under these provisions must be given by all the trustees jointly, and (unless expressed to be irrevocable and to be given by way of security) may be revoked by any one or more of them; and it is revoked by the appointment as a trustee of a person other than those by whom it is given[6].

Where a beneficiary to whom functions have been delegated under these provisions ceases to be a person beneficially entitled to an interest in possession in land subject to the trust, then: (1) if the functions are delegated to him alone, the power is revoked[7]; (2)

if the functions are delegated to him and to other beneficiaries to be exercised by them jointly (but not separately), the power is revoked if each of the other beneficiaries ceases to be so entitled (but otherwise functions exercisable in accordance with the power are so exercisable by the remaining beneficiary or beneficiaries)[8]; and (3) if the functions are delegated to him and to other beneficiaries to be exercised by them separately (or either separately or jointly), the power is revoked in so far as it relates to him[9].

Beneficiaries to whom functions have been delegated are, in relation to the exercise of the functions, in the same position as trustees, with the same duties and liabilities; but they are not to be regarded as trustees for any other purpose[10].

The statutory duty of care[11] applies to trustees of land in deciding whether to delegate any of their functions[12]. A trustee of land is not liable for any act or default of the beneficiary, or beneficiaries, unless the trustee fails to comply with the duty of care in deciding to delegate any of the trustees' functions[13] or in carrying out their subsidiary duties[14].

1 For the meaning of 'trustees of land' see para 724 note 7 ante.

2 For the meaning of 'beneficiary' see para 739 note 1 ante.

3 Trusts of Land and Appointment of Trustees Act 1996 s 9(1), (5). Neither s 9 nor the repeal of the Law of Property Act 1925 s 29 (which is superseded by the Trusts of Land and Appointment of Trustees Act 1996 s 9) affects the operation after the commencement of the Trusts of Land and Appointment of Trustees Act 1996 of any delegation effected before that commencement: s 9(9).

4 Ibid s 9(6). As from 1 October 2007 s 9 is amended by the Mental Capacity Act 2005 s 67(1), Sch 6 para 42(1), (2): see the Mental Capacity Act 2005 (Commencement No 2) Order 2007, SI 2006/1897. As to enduring powers of attorney and lasting powers of attorney see AGENCY.

5 Trusts of Land and Appointment of Trustees Act 1996 s 9(2). It is conclusively presumed in favour of any purchaser whose interest depends on the validity of that transaction that that other person dealt in good faith and did not have such knowledge if that other person makes a statutory declaration to that effect before or within three months after the completion of the purchase: s 9(2). As to statutory declarations see EVIDENCE; and see also CRIMINAL LAW, EVIDENCE AND PROCEDURE vol 11(2) (2005 Reissue) para 717.

6 Ibid s 9(3). A power is not, however, revoked by any of those persons dying or otherwise ceasing to be a trustee: s 9(3).

7 Ibid s 9(4)(a).

8 Ibid s 9(4)(b).

9 Ibid s 9(4)(c).

10 Ibid s 9(7). In particular, they are not to be regarded as trustees for the purposes of any enactment permitting the delegation of functions by trustees or imposing requirements relating to the payment of capital money: s 9(7).

11 Ie under the Trustee Act 2000 s 1; see para 949 ante.

12 Trusts of Land and Appointment of Trustees Act 1996 s 9A(1) (added by the Trustee Act 2000 s 40(1), Sch 2 para 47). While the delegation continues the trustees must keep the delegation under review and consider whether there is a need to exercise any power of intervention they may have: Trusts of Land and Appointment of Trustees Act 1996 s 9A(3) (as so added). Delegations effected before 1 February 2001 are not affected by s 9A (as added) nor by the repeal of s 9(8) (which provided that, where any function had been delegated to a beneficiary or beneficiaries under these provisions, the trustees were jointly and severally liable for any act or default of the beneficiary, or any of the beneficiaries, in the exercise of the function if, and only if, the trustees did not exercise reasonable care in deciding to delegate the function to the beneficiary or beneficiaries): s 9(7).

13 Ibid s 9A(6) (as added: see note 12 supra).

14 Ie under ibid s 9A(3) (as added: see note 12 supra).

B. POWER TO EMPLOY AGENTS UNDER THE TRUSTEE ACT 2000

988. In general. Part IV of the Trustee Act 2000[1] confers on trustees[2] powers of delegation enabling them to employ agents[3] and to appoint nominees and custodians[4], whether the trust was created before or after the commencement of that Act[5]. These powers are in addition to powers otherwise conferred on trustees[6], but are subject to any

restriction or exclusion imposed by the trust instrument or by any enactment or any provision of subordinate legislation[7]. These provisions replaced the more limited provisions in the Trustee Act 1925[8].

1 Ie the Trustee Act 2000 Pt IV (ss 11–27).
2 The provisions of ibid Pt IV apply in relation to a trust having a sole trustee as they apply in relation to other trusts; and references in Pt IV to trustees (except in ss 12(1), (3), 19(5): see paras 989, 992 post) are to be read accordingly: s 25(1). Part IV does not apply to trustees of authorised unit trusts (s 37(1)) or to trustees managing a fund under a common investment scheme made, or having effect as if made, under the Charities Act 1993 s 24 (see CHARITIES vol 5(2) (2001 Reissue) para 366) (other than such a fund the trusts of which provide that property is not to be transferred to the fund except by or on behalf of a charity the trustees of which are the trustees appointed to manage the fund) or to trustees managing a fund under a common deposit scheme made, or having effect as if made, under s 25 (see CHARITIES vol 5(2) (2001 Reissue) para 367): Trustee Act 2000 s 38. 'Authorised unit trust' means a unit trust scheme in the case of which an order under the Financial Services and Markets Act 2000 s 237(3) (see FINANCIAL SERVICES vol 18(1) (Reissue) para 458) is in force: Trustee Act 2000 s 37(2). Part IV applies to trustees of a pension scheme, subject to certain restrictions: see s 36(4)–(8). For the meaning of 'pension scheme' see para 949 note 1 ante.
3 See para 989 et seq post.
4 See para 991 et seq post. For the meaning of 'custodian' see para 991 note 4 post.
5 Trustee Act 2000 s 27.
6 Ibid s 26(a).
7 Ibid s 26(b).
8 See paras 998–1000 ante.

989. Power to employ agents collectively. The Trustee Act 2000 provides that the trustees[1] of a trust may authorise any person to exercise any or all of their delegable functions as their agent[2]. A distinction is made between charitable and non-charitable trusts. In the case of non-charitable trusts, the trustees' delegable functions consist of any function other than:

(1) any function relating to whether or in what way any assets of the trust should be distributed[3];
(2) any power to decide whether any fees or other payment due to be made out of the trust funds should be made out of income or capital[4];
(3) any power to appoint a person to be a trustee of the trust[5]; or
(4) any power conferred by any other enactment or the trust instrument which permits the trustees to delegate any of their functions or to appoint a person to act as a nominee or custodian[6].

In the case of a charitable trust, the trustees' delegable functions are:

(a) any function consisting of carrying out a decision that the trustees have taken[7];
(b) any function relating to the investment of assets subject to the trust[8];
(c) any function relating to the raising of funds for the trust otherwise than by means of profits of a trade which is an integral part of carrying out the trust's charitable purpose[9];
(d) any other function prescribed by an order made by the Secretary of State[10].

The persons whom the trustees may authorise to exercise functions as their agent include one or more of their number[11], and a person who is also appointed[12] to act as their nominee or custodian[13]. They cannot, however, authorise a beneficiary to exercise any function as their agent, even if the beneficiary is also a trustee[14]. The trustees may not authorise two or more persons to exercise the same function unless they are to exercise the function jointly[15].

The statutory duty of care is limited to trustees[16]; it does not apply to an agent in the performance of his agency, although he will owe a separate duty of care to the trust under the general law of agency[17]. In particular, a person who is authorised under these provisions to exercise a function is, whatever the terms of the agency, subject to any

specific duties or restrictions attached to the function[18]. A person authorised[19] to exercise a power which is subject to a requirement to obtain advice is not subject to that requirement if he is the kind of person from whom it would have been proper for the trustees, in compliance with the requirement, to obtain advice[20].

In relation to a trust to which the duty to consult beneficiaries and to give effect to their wishes applies[21], the trustees may not authorise a person to exercise any of their functions on terms that prevent them from complying with that duty[22]. The duty is non-delegable, and a person who is authorised[23] to exercise any function relating to land subject to the trust is not subject to that duty[24].

1 See para 988 note 2 ante.
2 Trustee Act 2000 s 11(1). The power conferred by s 11 is in addition to powers otherwise conferred on trustees, but is subject to any restriction or exclusion imposed by the trust instrument or by any enactment or any provision of subordinate legislation: see s 26; and para 988 ante. The statutory duty of care applies to a trustee when entering into arrangements under s 11 to exercise functions as an agent: see ss 1, 2, Sch 1 para 3(1)(a), (d); and para 950 ante.
3 Ibid s 11(2)(a). 'Asset' includes any right or interest: s 39(1).
4 Ibid s 11(2)(b).
5 Ibid s 11(2)(c).
6 Ibid s 11(2)(d). For the meaning of 'custodian' see para 991 note 4 post.
7 Ibid s 11(3)(a).
8 Ibid s 11(3)(b). This includes, in the case of land held as an investment, managing the land and creating or disposing of an interest in the land: see s 11(3)(b).
9 Ibid s 11(3)(c). For these purposes, a trade is an integral part of carrying out a trust's charitable purpose if, whether carried on in the United Kingdom or elsewhere, the profits are applied solely to the purposes of the trust and either the trade is exercised in the course of the actual carrying out of a primary purpose of the trust or the work in connection with the trade is mainly carried out by beneficiaries of the trust: s 11(4). For the meaning of 'United Kingdom' see para 767 note 17 ante.
10 Ibid s 11(3)(d). The power to make an order is exercisable by statutory instrument subject to annulment in pursuance of a resolution of either House of Parliament: s 11(5). As to the Secretary of State see para 794 note 36 ante.
11 Ibid s 12(1). This provision does not apply to sole trustees: see para 988 note 2 ante.
12 Ie whether under ibid s 16 (see para 991 post), s 17 (see para 991 post) or s 18 (see para 991 post) or any other power.
13 Ibid s 12(4).
14 Ibid s 12(3). This provision does not apply to sole trustees: see para 988 note 2 ante. Cf the power of delegation under the Trusts of Land and Appointment of Trustees Act 1996 s 9 (as amended); and para 987 ante.
15 Trustee Act 2000 s 12(2).
16 See ibid ss 1, 2, Sch 1; and para 949 ante.
17 See AGENCY.
18 Trustee Act 2000 s 13(1). For example, a person who is authorised under s 11 to exercise the general power of investment is subject to the duties under s 4 (standard investment criteria: see para 1013 post) in relation to that power: see s 13(1). For the meaning of 'the general power of investment' see para 1012 post.
19 Ie under ibid s 11.
20 Ibid s 13(2).
21 Ibid s 13(3). The duty referred to is that under the under the Trusts of Land and Appointment of Trustees Act 1996 s 11(1): see para 1036 post.
22 Trustee Act 2000 s 13(4).
23 Ie under ibid s 11: see the text and notes 1–10 supra.
24 Ibid s 13(5).

990. Terms of agency. Under the Trustee Act 2000, trustees[1] may generally authorise a person to exercise functions as their agent on such terms as to remuneration and other matters as they may determine[2]. The trustees may not authorise a person to exercise functions as their agent on the following terms unless it is reasonably necessary for them to do so[3]:

(1) a term permitting the agent to appoint a substitute[4];

(2) a term restricting the liability of the agent or his substitute to the trustees or any beneficiary[5];

(3) a term permitting the agent to act in circumstances capable of giving rise to a conflict of interest[6].

Special restrictions apply where trustees delegate any of their asset management functions[7]. The trustees may not authorise a person to exercise any of their asset management functions as their agent except by an agreement which is in writing or evidenced in writing[8]. Further the trustees must first prepare a statement that gives guidance as to how the functions should be exercised ('a policy statement')[9], which must be in or evidenced in writing[10]. The trustees must formulate any guidance given in the policy statement with a view to ensuring that the functions will be exercised in the best interests of the trust[11]. The agreement under which the agent is to act must include a term to the effect that the agent will secure compliance with the policy statement or, if the policy statement is revised or replaced[12], the revised or replacement policy statement[13].

1 See para 988 note 2 ante.
2 Trustee Act 2000 s 14(1). This provision is subject to s 15(2) (see the text and notes 9–13 infra) and to ss 29–32 (see paras 902–903, 932 ante).
3 Ibid s 14(2).
4 Ibid s 14(3)(a).
5 Ibid s 14(3)(b).
6 Ibid s 14(3)(c).
7 The asset management functions of trustees are their functions relating to: (1) the investment of assets subject to the trust; (2) the acquisition of property which is to be subject to the trust; and (3) managing property which is subject to the trust and disposing of, or creating or disposing of an interest in, such property: ibid ss 15(5), 39(2). For the meaning of 'asset' see para 989 note 3 ante.
8 Ibid s 15(1).
9 Ibid s 15(2)(a). The statutory duty of care applies to trustees in preparing the policy statement: see ss 1, 2, Sch 1 para 3(2)(c); and para 950 ante.
10 Ibid s 15(4).
11 Ibid s 15(3).
12 Ie under ibid s 22: see para 995 post.
13 Ibid s 15(2)(b).

991. Appointment of nominees and custodians. The Trustee Act 2000 provides that the trustees[1] of a trust may appoint a person to act as their nominee in relation to such of the assets of the trust as they determine (other than settled land[2]), and may take such steps as are necessary to secure that those assets are vested in a person so appointed[3]. Likewise, the trustees of a trust may appoint a person to act as a custodian in relation to such of the assets of the trust as they may determine[4]. In either case, the appointment must be in writing or evidenced in writing[5]. These provisions do not apply to any trust having a custodian trustee[6] or in relation to any assets vested in the official custodian for charities[7].

If trustees[8] retain or invest in securities payable to bearer, they must appoint a person to act as a custodian of the securities[9], unless the trust instrument or any enactment or provision of subordinate legislation contains provision which (however expressed) permits the trustees to retain or invest in securities payable to bearer without appointing a person to act as a custodian[10]. The appointment must be in writing or evidenced in writing[11]. These provisions do not apply to any trust having a custodian trustee or in relation to any securities vested in the official custodian for charities[12].

1 See para 988 note 2 ante.
2 'Settled land' has the same meaning as in the Settled Land Act 1925 (see SETTLEMENTS vol 42 (Reissue) para 680): Trustee Act 2000 s 39(1).

3 Ibid s 16(1). The power conferred by s 16 is in addition to powers otherwise conferred on trustees, but is subject to any restriction or exclusion imposed by the trust instrument or by any enactment or any provision of subordinate legislation: see s 26; and para 988 ante.
4 Ibid s 17(1). For these purposes, a person is a custodian in relation to assets if he undertakes the safe custody of the assets or of any documents or records concerning the assets: ss 17(2), 39(2). The power conferred by s 17 is in addition to powers otherwise conferred on trustees, but is subject to any restriction or exclusion imposed by the trust instrument or by any enactment or any provision of subordinate legislation: see s 26; and para 988 ante.
5 Ibid ss 16(2), 17(3).
6 As to custodian trustees see para 792 et seq ante.
7 Trustee Act 2000 ss 16(3), 17(4).
8 Ibid s 18 does not impose a duty on a sole trustee if that trustee is a trust corporation: s 25(2). For the meaning of 'trust corporation' see para 798 ante.
9 Ibid s 18(1).
10 Ibid s 18(2).
11 Ibid s 18(3).
12 Ibid s 18(4).

992. Eligibility for appointment as nominee or custodian. Under the Trustee Act 2000, a person may not be appointed as a nominee or custodian[1] unless one of the following conditions is satisfied[2]:

(1) the person carries on a business which consists of or includes acting as a nominee or custodian[3];
(2) the person is a body corporate which is controlled by the trustees[4];
(3) the person is a body corporate recognised under the Administration of Justice Act 1985[5].

The persons whom the trustees[6] may appoint as a nominee or custodian include: (a) one of their number, if that one is a trust corporation; or (b) two or more of their number, if they are to act as joint nominees or joint custodians[7]. The person appointed as nominee or custodian may also be appointed as custodian or nominee, as the case may be, or be authorised to exercise functions as the trustees' agent[8].

The trustees of a charitable trust[9] which is not an exempt charity[10] must act in accordance with any guidance given by the Charity Commission[11] concerning the selection of a person for appointment as a nominee or custodian[12].

1 Ie under the Trustee Act 2000 s 16, s 17 or s 18: see para 991 ante. For the meaning of 'custodian' see para 991 note 4 ante.
2 Ibid s 19(1).
3 Ibid s 19(2)(a).
4 Ibid s 19(2)(b). The question whether a body is controlled by trustees is to be determined in accordance with the Income and Corporation Taxes Act 1988 s 840 (see INCOME TAXATION vol 23(1) (Reissue) para 845): Trustee Act 2000 s 19(3).
5 Ibid s 19(2)(c). The reference in the text is to a body corporate recognised under the Administration of Justice Act 1985 s 9 (as amended): see SOLICITORS vol 44(1) (Reissue) para 383.
6 See para 988 note 2 ante.
7 Trustee Act 2000 s 19(5). This provision is subject to s 19(1) (see the text and note 2 supra) and s 19(4) (see the text and note 12 infra).
8 See ibid s 19(6), (7).
9 For the meaning of 'charitable trust' see para 931 note 6 ante.
10 'Exempt charity' has the same meaning as in the Charities Act 1993 (see CHARITIES vol 5(2) (2001 Reissue) para 293): Trustee Act 2000 s 39(1).
11 As to the Charity Commission see CHARITIES.
12 Trustee Act 2000 s 19(4) (amended by the Charities Act 2006 s 75(1), Sch 8 para 197).

993. Terms of appointment of nominees and custodians. Under the Trustee Act 2000, the trustees[1] may generally appoint[2] a person to act as a nominee or custodian on such terms as to remuneration and other matters as they may determine[3]. They may

not, however, appoint a person to act as a nominee or custodian on any of the following terms unless it is reasonably necessary for them to do so[4]:

(1) a term permitting the nominee or custodian to appoint a substitute[5];
(2) a term restricting the liability of the nominee or custodian or his substitute to the trustees or to any beneficiary[6];
(3) a term permitting the nominee or custodian to act in circumstances capable of giving rise to a conflict of interest[7].

1 See para 988 note 2 ante.
2 Ie under the Trustee Act 2000 s 16, s 17 or s 18: see para 991 ante.
3 Ibid s 20(1). This provision is subject to s 20(2) (see the text and note 4 infra) and to ss 29–32 (see paras 902–903, 932 ante). For the meaning of 'custodian' see para 991 note 4 ante.
4 Ibid s 20(2).
5 Ibid s 20(3)(a).
6 Ibid s 20(3)(b).
7 Ibid s 20(3)(c).

994. Application of provisions for review of and liability for agents, nominees and custodians. Under the Trustee Act 2000, there are statutory provisions relating to the review of and liability for agents, nominees and custodians[1] which apply whether they were authorised or appointed under that Act[2], or whether they were authorised or appointed under any power conferred by the trust instrument or by any enactment or any provision of subordinate legislation[3].

1 Ie the Trustee Act 2000 ss 22, 23: see paras 995–996 post. For the meaning of 'custodian' see para 991 note 4 ante.
2 Ie under ibid s 11 (see para 989 ante), s 16, s 17 or s 18 (see para 991 ante): see s 21(1).
3 See ibid s 21(2). If, however, the application of s 22 or s 23 is inconsistent with the terms of the trust instrument or the enactment or provision of subordinate legislation, then s 22 or s 23, as the case may be, does not apply: see s 21(3).

995. Review of agents, nominees and custodians. The Trustee Act 2000 provides that while the agent, nominee or custodian[1] continues to act for the trust[2]:

(1) the trustees[3] must keep under review the arrangements under which the agent, nominee or custodian acts, and how those arrangements are being put into effect[4];
(2) if circumstances make it appropriate to do so, the trustees must consider whether there is a need to exercise any power of intervention[5] that they have[6]; and
(3) if the trustees consider that there is a need to exercise such a power, they must do so[7].

If an agent has been authorised to exercise asset management functions[8] the duty of review includes, in particular: (a) a duty to consider whether there is any need to revise or replace the policy statement[9]; (b) if the trustees consider that there is a need to revise or replace the policy statement, a duty to do so[10]; and (c) a duty to assess whether the policy statement (as it has effect for the time being) is being complied with[11].

1 For the meaning of 'custodian' see para 991 note 4 ante.
2 Trustee Act 2000 s 22(1). As to the application of s 22 see para 994 ante.
3 See para 988 note 2 ante.
4 Trustee Act 2000 s 22(1)(a). This obligation means that the trustees must keep under review the question of whether the agent, nominee or custodian is a suitable person to act for the trust, and whether the terms of his appointment are appropriate.
5 'Power of intervention' includes a power to give directions to the agent, nominee or custodian and a power to revoke the authorisation or appointment: ibid ss 22(4), 39(2).
6 Ibid s 22(1)(b).
7 Ibid s 22(1)(c).

8 For the meaning of 'asset management functions' see para 990 note 7 ante.
9 Trustee Act 2000 s 22(2)(a). For the meaning of 'policy statement' see para 990 ante. The provisions of s 15(3), (4) apply to the revision or replacement of a policy statement under s 22 as they apply to the making of a policy statement under s 15 (see para 990 ante): s 22(3).
10 Ibid s 22(2)(b).
11 Ibid s 22(2)(c).

996. Liability for agents, nominees and custodians. The Trustee Act 2000 provides that a trustee[1] is not liable for any act or default of an agent, nominee or custodian[2] unless he has failed to comply with the duty of care applicable to him[3]: (1) when entering into the arrangements under which the person acts as agent, nominee or custodian[4]; or (2) when carrying out his duty of review[5].

If a trustee has agreed a term under which the agent, nominee or custodian is permitted to appoint a substitute, the trustee is not liable for any act or default of the substitute[6] unless he has failed to comply with the duty of care applicable to him[7]: (a) when agreeing that term[8]; or (b) when carrying out his duty of review in so far as it relates to the use of the substitute[9].

1 See para 988 note 2 ante.
2 Trustee Act 2000 s 23(1). As to the application of s 23 see para 994 ante. For the meaning of 'custodian' see para 991 note 4 ante.
3 See ibid ss 1, 2, Sch 1 para 3; and para 950 ante.
4 Ibid s 23(1)(a).
5 Ibid s 23(1)(b). As to the duty of review see s 22; and para 995 ante.
6 Ibid s 23(2).
7 See note 2 supra.
8 Trustee Act 2000 s 23(2)(a).
9 Ibid s 23(2)(b).

997. Protection of third parties. The Trustee Act 2000 provides that a failure by the trustees[1] to act within the limits of their statutory powers[2] in authorising a person to exercise a function of theirs as an agent, or in appointing a person to act as a nominee or custodian[3], does not invalidate the authorisation or appointment[4]. The trustees will, of course, be liable for any loss to the trust estate[5].

1 See para 988 note 2 ante.
2 Ie the powers conferred by the Trustee Act 2000 Pt IV (ss 11–27): see para 988 et seq.
3 For the meaning of 'custodian' see para 991 note 4 ante.
4 Trustee Act 2000 s 24.
5 See para 954 et seq ante.

C. POWER TO EMPLOY AGENTS UNDER THE TRUSTEE ACT 1925

998. General power to employ agents. Where, on the date the Trustee Act 2000 came into force[1], a person was already appointed an agent or attorney under the Trustee Act 1925[2], the agent is to be treated as if he had been authorised to exercise functions under the Trustee Act 2000[3] and, if appropriate, as if he had also been appointed under Part IV of that Act[4] to act as custodian or nominee[5].

1 As to the commencement of the Trustee Act 2000 see para 603 note 9 ante.
2 Ie the Trustee Act 1925 s 23(1) or (3) (repealed). Subject to s 69(2) (see para 603 ante), trustees, instead of acting personally, had power to employ and pay an agent, whether a solicitor, banker, stockbroker or other person, to transact any business or do any act required to be transacted or done in the execution of the trust, including the receipt and payment of money, and were entitled to be allowed and paid all charges and expenses so incurred, and were not responsible for the default of any such agent if employed in good faith: s 23(1) (repealed). For these purposes, the reference to a solicitor includes a reference to a body corporate recognised by the Council of the Law Society under the Administration of Justice

Act 1985 s 9 (as amended) (see SOLICITORS vol 44(1) (Reissue) para 383): Solicitors' Incorporated Practices Order 1991, SI 1991/2684, arts 2(1), 3, 4(a), Sch 1.

3 Ie under the Trustee Act 2000 s 11: see para 989 ante.

4 Ie ibid Pt IV (ss 11–27).

5 Ibid s 40(2), Sch 3 para 5. As to the appointment of agents, nominees and custodians under the Trustee Act 2000 see paras 988–993 ante. As to non-statutory powers to employ agents generally see paras 1001–1004 post.

999. Employment of agents where the trust estate is abroad. Where, on the date the Trustee Act 2000 came into force[1], a person was already appointed an agent or attorney under the Trustee Act 1925[2] in relation to property outside the United Kingdom[3], the operation of the appointment is not affected by the repeal of the provision[4].

1 As to the commencement of the Trustee Act 2000 see para 603 note 9 ante.

2 Trustee Act 1925 s 23(2) (repealed). This provision was mainly declaratory: see *Stuart v Norton* (1860) 14 Moo PAC 17. Subject to the terms of the trust instrument, trustees could appoint agents or attorneys to deal with trust property outside the United Kingdom, or to execute or exercise any discretion vested in the trustees in relation to any such property with such ancillary powers, and with and subject to such provisions and restrictions as they thought fit, including a power to appoint substitutes. A trustee was not, by reason only of having made such an appointment, responsible for any loss arising from it: see s 23(2) (repealed).

3 For the meaning of 'United Kingdom' see para 767 note 17 ante.

4 Trustee Act 2000 s 40(2), Sch 3 para 6.

1000. Appointment of solicitor or banker to receive money or property. Where, on the date the Trustee Act 2000 came into force[1], a solicitor[2] or banker was already appointed an agent under the Trustee Act 1925[3] to receive money or property, the agent is to be treated as if he had been authorised to exercise functions as an agent under the Trustee Act 2000[4] and, if appropriate, as if he had also been appointed under Part IV[5] of that Act to act as custodian or nominee[6].

1 As to the commencement of the Trustee Act 2000 see para 603 note 9 ante.

2 For these purposes, the reference to a solicitor includes a reference to a body corporate recognised by the Council of the Law Society under the Administration of Justice Act 1985 s 9 (as amended) (see SOLICITORS vol 44(1) (Reissue) para 383): Solicitors' Incorporated Practices Order 1991, SI 1991/2684, arts 2(1), 3, 4(a), Sch 1.

3 Trustee Act 1925 s 23(3)(a), (b) (repealed). The solicitor had to be appointed by the trustee himself (*Re Hetling and Merton's Contract* [1893] 3 Ch 269 at 280, CA, per Lindley LJ), and, if there were several trustees, the solicitor had to be appointed by all the trustees (see *Re C Flower and Metropolitan Board of Works, Re M Flower and Metropolitan Board of Works* (1884) 27 ChD 592 at 596).

4 Ie under the Trustee Act 2000 s 11: see para 989 ante.

5 Ie ibid Pt IV (ss 11–27).

6 Ibid s 40(2), Sch 3 para 5. As to the meaning of 'custodian' see para 991 note 4 post. As to appointment of agents, nominees and custodians under the Trustee Act 2000 see paras 988–993 ante.

D. NON-STATUTORY POWERS TO EMPLOY AGENTS

1001. General non-statutory power to employ agents. Independently of the statutory provisions to employ agents[1] and of any provisions in the instrument creating the trust[2], a trustee may allow a co-trustee, or employ an accountant, bailiff, banker, broker, solicitor, workman or other agent, to act for him in the affairs of the trust, and to receive and hold trust money and property where he is obliged to do so by common usage and would, if he were a prudent man of business, do so in a similar affair of his own[3].

In every case the trustee must select the agent prudently and in good faith[4] and may employ him only so far as the matter properly lies within his professional capacity or his

position as agent[5]. The trustee should supervise him with common prudence and allow him to retain trust property only so long as the matter requires[6].

A trustee cannot, however, divest himself of the trust by employing an agent, and may not, therefore, entrust the agent with duties to any extent which the agent is willing to undertake, or pay to him any remuneration which he sees fit to demand[7].

1 See para 998 et seq ante.

2 As to provisions in the trust instrument see *Doyle v Blake* (1804) 2 Sch & Lef 231 at 245 per Lord Redesdale LC; *Shepherd v Harris* [1905] 2 Ch 310. The nomination in the trust instrument of a particular agent has always been held to relieve trustees from any responsibility for employing him in the absence of laches on their part (*Gibbs v Herring* (1692) Prec Ch 49; *Kilbee v Sneyd* (1828) 2 Mol 186 at 200), but a person nominated as agent has no right to compel the trustees to employ him (*Finden v Stephens* (1846) 2 Ph 142), or to continue him in employment (*Shaw v Lawless* (1838) 5 Cl & Fin 129, HL; *Belaney v Kelly* (1871) 19 WR 1171; *Foster v Elsley* (1881) 19 ChD 518; but see *Williams v Corbet* (1837) 8 Sim 349).

3 *Bonithon v Hockmore* (1685) 1 Vern 316; *A-G v Scott* (1750) 1 Ves Sen 413 at 417–418 per Lord Hardwicke LC; *Re Parsons, ex p Belchier, ex p Parsons* (1754) Amb 218; *Henderson v M'Iver* (1818) 3 Madd 275; *Clough v Bond* (1838) 3 My & Cr 490 at 497 per Lord Cottenham LC; *Wilks v Groom* (1856) 3 Drew 584; *Wilkinson v Bewick* (1858) 4 Jur NS 1010; *Benett v Wyndham* (1862) 4 De GF & J 259 at 263; *Re Bird, Oriental Commercial Bank v Savin* (1873) LR 16 Eq 203; *Speight v Gaunt* (1883) 9 App Cas 1, HL (broker); *Re Brier, Brier v Evison* (1884) 26 ChD 238, CA; *Learoyd v Whiteley* (1887) 12 App Cas 727 at 731, 734, HL; *Shepherd v Harris* [1905] 2 Ch 310; *Re Munton, Munton v West* [1927] 1 Ch 262, CA; *Re Lucking's Will Trusts, Renwick v Lucking* [1967] 3 All ER 726, [1968] 1 WLR 866. A trustee may employ an agent to collect small debts (*Re Brier, Brier v Evison* supra), and may remit or collect money through a bank and keep a bank account for the purpose in his name as a trustee (*Knight v Earl of Plymouth* (1747) 1 Dick 120; *Re Parsons, ex p Belchier, ex p Parsons* supra at 219 per Lord Hardwicke LC; *Wren v Kirton* (1805) 11 Ves 377; *Johnson v Newton* (1853) 11 Hare 160; *Fenwick v Clarke* (1862) 4 De GF & J 240). Where there are several trustees, the bank account must be in the names of all, and they may not authorise the bank to pay cheques signed by one of their number: *Clough v Bond* supra at 497–498; *Trutch v Lamprell* (1855) 20 Beav 116. A crossed cheque signed by all may, however, be entrusted to one of them for delivery to a beneficiary: *Re Lake Bathurst Australasian Gold Mining Co, Barnard v Bagshaw* (1862) 3 De GJ & Sm 355. A trustee may allow an auctioneer who sells trust property to receive the deposit money (*Edmonds v Peake* (1843) 7 Beav 239), and a solicitor to receive money on payment off of a mortgage (*Wyman v Paterson* [1900] AC 271 at 288, HL, per Lord Davey), but not to retain it unduly (*Wyman v Paterson* supra; *Williams v Byron* (1901) 18 TLR 172; *Re Sheppard, De Brimont v Harvey* [1911] 1 Ch 50). As to a trustee appointing an attorney to transact matters requiring discretion see paras 952, 987 ante; as to employing an agent to keep the accounts of the trust see para 961 note 1 ante; and as to the position where the beneficiary acts as agent, and the running of time in these cases, see LIMITATION OF ACTIONS vol 28 (Reissue) para 1101.

4 *Fry v Tapson* (1884) 28 ChD 268 at 281 per Kay J; *Re Weall, Andrews v Weall* (1889) 42 ChD 674 at 678 per Kekewich J; *Rochfort v Seaton* [1896] 1 IR 18 at 24–25 per Chatterton V-C; *Robinson v Harkin* [1896] 2 Ch 415 at 423–424 per Stirling J. Neither the creator of the trust nor the beneficiaries may dictate to a trustee what particular person he is to employ (*Shaw v Lawless* (1838) 5 Cl & Fin 129, HL; *Foster v Elsley* (1881) 19 ChD 518; *Re Duke of Cleveland's Settled Estates* [1902] 2 Ch 350); but see *Williams v Corbet* (1837) 8 Sim 349. He must select a broker or valuer himself and not leave the choice to his solicitors (*Fry v Tapson* supra at 281; *Robinson v Harkin* supra) and, when lending on mortgage, he should not employ as a valuer the agent of the mortgagor (*Fry v Tapson* supra).

5 *Rowland v Witherden* (1851) 3 Mac & G 568 at 574; *Fry v Tapson* (1884) 28 ChD 268 at 281; *Re Dewar, Dewar v Brooke* (1885) 33 WR 497; *Re Weall, Andrews v Weall* (1889) 42 ChD 674 at 678; *Robinson v Harkin* [1896] 2 Ch 415 at 423–424. See also paras 952, 987 ante.

6 *Matthews v Brise* (1843) 6 Beav 239 at 244 (affd (1845) 15 LJ Ch 39); *Wyman v Paterson* [1900] AC 271, HL; *Re Lucking's Will Trusts, Renwick v Lucking* [1967] 3 All ER 726, [1968] 1 WLR 866. A trustee must not leave trust money in a bank for an unduly long time: *Moyle v Moyle* (1831) 2 Russ & M 710; *Matthews v Brise* supra; *Challen v Shippam* (1845) 4 Hare 555; *Gibbins v Taylor* (1856) 22 Beav 344; *Rehden v Wesley* (1861) 29 Beav 213; *Cann v Cann* (1884) 51 LT 770.

7 *Re Weall, Andrews v Weall* (1889) 42 ChD 674 at 678. Where a trustee is under a court order allowed a commission for managing the trust estate and receiving the rents, he may not pay out of the trust fund a further commission to a rent collector employed by him: *Cox v Bennett* (1891) 39 WR 308, CA.

1002. Receipt of income by one of several trustees. Trustees may allow one of their number to collect rents[1] and generally to receive the income of trust property[2], and in some cases the income of the trust property is payable to one of them only[3].

1 *Townley v Sherborn* (1634) J Bridg 35 at 37; *Gough v Smith* [1872] WN 18. The collecting trustee may not receive remuneration: *Home v Pringle and Hunter* (1841) 8 Cl & Fin 264, HL. Cf *Shepherd v Harris* [1905] 2 Ch 310. As to remuneration generally see para 930 et seq ante. If there is any fear of misappropriation of the rents by the collecting trustee, the other trustees should notify the tenants to discontinue paying to him: *Gough v Smith* supra.

2 *Williams v Nixon* (1840) 2 Beav 472; *Cottam v Eastern Counties Rly Co* (1860) 1 John & H 243.

3 Companies which do not recognise trusts pay the interest or dividends on stocks or shares to the first of several registered joint holders: see the Companies (Tables A to F) Regulations 1985, SI 1985/805, Schedule, Table A art 106; and COMPANIES vol 7(1) (2004 Reissue) para 912. The dividends on funds in court are sometimes ordered to be paid to one or two of several trustees: *Re Coulson's Settlement* (1867) 17 LT 27; *Milne v Gilbart* [1875] WN 128; *Re Pryor's Settlement Trusts* (1876) 35 LT 202; but see *Re Carr, Carr v Carr* (1888) 36 WR 688.

1003. Custody of trust property and title deeds A trustee may leave trust property in the sole possession of a co-trustee where he is acting in the capacity of broker or agent of the trustees for that purpose[1].

For the sake of convenience title deeds and documents may be kept by one of several co-trustees[2].

1 *Re Gasquoine, Gasquoine v Gasquoine* [1894] 1 Ch 470, CA.

2 *Cottam v Eastern Counties Rly Co* (1860) 1 John & H 243; *Re Sisson's Settlement, Jones v Trappes* [1903] 1 Ch 262; *Welch v Bank of England* [1955] Ch 508 at 537–538, [1955] 1 All ER 811 at 824. As to the right of the trustees to custody of title deeds see para 729 ante; as to the protection of the trustees of a settlement who place documents of title in the possession of a tenant for life or statutory owner see SETTLEMENTS vol 42 (Reissue) para 892; and as to allowing securities and documents of title to be held by bankers or solicitors see para 1000 post.

1004. Liability for default of agent and liability on contract with agent. A trustee is not vicariously liable for the default of his agent[1] if he employs a properly qualified person[2].

A trustee who employs a solicitor, auctioneer, broker or other agent in connection with the trust estate enters into a personal contract with him and is personally liable on it[3]. If, however, the contract is proper, having regard to the character and terms of the trust, the trustee has a right to be indemnified out of the trust estate in respect not merely of payments actually made, but of his liability under it[4]. He may, therefore, make any payments in respect of it out of the trust estate in the first instance[5].

1 *Re Parsons, ex p Belchier, ex p Parsons* (1754) Amb 218; *Benett v Wyndham* (1862) 4 De GF & J 259; *Speight v Gaunt* (1883) 9 App Cas 1, HL; *Re Weall, Andrews v Weall* (1889) 42 ChD 674 at 678 per Kekewich J.

2 *Re Weall, Andrews v Weall* (1889) 42 ChD 674 at 678; *Re Duke of Cleveland's Settled Estate* [1902] 2 Ch 350 at 353 per Joyce J. For the exemption from liability of a trustee who signs a receipt for the sake of conformity and the confining of a trustee's liability to his own acts, receipts, neglects or defaults see para 1115 post.

3 *Staniar v Evans, Evans v Staniar* (1886) 34 ChD 470 at 476–477 per North J; *Re Blundell, Blundell v Blundell* (1888) 40 ChD 370 at 376 per Stirling J. A solicitor employed by a trustee has no lien on the trust estate for his costs: *Staniar v Evans, Evans v Staniar* supra at 477.

4 *Staniar v Evans, Evans v Staniar* (1886) 34 ChD 470 at 477; *Re Blundell, Blundell v Blundell* (1888) 40 ChD 370 at 376–377. As to a trustee's right of reimbursement and indemnity generally see para 902 et seq ante. As to bills of costs of solicitors see *Macnamara v Jones* (1784) 2 Dick 587; *Re Davis, Muckalt v Davis* [1887] WN 186; *Re Wellborne* [1901] 1 Ch 312, CA. As to the right of beneficiaries to have the costs of a solicitor employed by the trustees taxed under the Solicitors Act 1974 see SOLICITORS vol 44(1) (Reissue) para 200. See also *Re Story, ex p Marwick* (1859) 1 LT 16.

5 *Re Blundell, Blundell v Blundell* (1888) 40 ChD 370 at 377. Where a joint retainer is given, one trustee may retain the whole bill of costs out of the trust estate, notwithstanding that his co-trustee is indebted to the trust and is insolvent: *Watson v Row* (1874) LR 18 Eq 680; *McEwan v Crombie* (1883) 25 ChD 175. Cf *Smith v Dale* (1881) 18 ChD 516. See also SOLICITORS vol 44(1) (Reissue) para 110.

(iii) Power to Invest

A. IN GENERAL

1005. General principles. The Trustee Act 2000 contains a very wide general power of investment[1] which applies in relation to trusts created before and after its commencement[2]. The provisions of the Act are normally of paramount importance. However the statutory power operates in addition to powers conferred on trustees imposed by the trust instrument[3] and is subject to any restrictions imposed by the trust instrument[4]. It is, therefore, always necessary to consider the terms of any express clause.

Certain non-statutory principles will continue to be relevant[5].

1 See the Trustee Act 2000 s 3; and para 1012 post.

2 See ibid s 7; and para 1012 post.

3 Ibid s 6(1)(a).

4 Ibid s 6(1)(b).

5 Eg there is no statutory definition of 'investment': see para 1006 post.

1006. The meaning of 'investment'. There is no statutory definition of 'investment'[1]. Originally an investment was regarded as something which must not only safeguard capital[2] but which would produce an income or profit[3]. However, it appears clear that today 'profit' can be in the form of capital appreciation rather than income yield[4].

1 'The notion of what constitutes an investment is an evolving concept, to be interpreted by the courts. Trustees might ... legitimately invest (depending on the circumstances of the trust) in antique silver or paintings in the expectation that they would increase in value': *Trustees' Powers and Duties* (Law Com no 260) (1999) para 2.28, footnote 56. The power of investment conferred by the Trustee Act 2000 permits trustees to invest so as to produce an income or capital return: Explanatory Notes to the Trustee Act 2000.

2 *Re Somerset, Somerset v Earl Poulett* [1894] 1 Ch 231 at 247 per Kekewich J.

3 'Invest' prima facie means to apply money in the purchase of some property from which interest or profit is expected and which property is purchased in order to be held for the sake of the income which it will yield: *Re Wragg, Wragg v Palmer* [1919] 2 Ch 58 at 65 per Lawrence J; *Moss' Trustees v King* 1952 SC 523 at 527. The purchase of freehold land for some purpose other than the receipt of income is not an investment: *Re Power, Public Trustee v Hastings* [1947] Ch 572, [1947] 2 All ER 282.

4 Investment property is property held by trustees for the purpose of generating money, whether from income or capital growth: see *Harries v Church Comrs for England* [1993] 2 All ER 300 at 304, [1992] 1 WLR 1241 at 1246 per Sir Donald Nicholls V-C.

1007. Express investment provisions. The instrument creating the trust may contain restrictions[1]. Subject to any express directions contained in that instrument[2], and to any conditions prescribed by it[3], the trustee may invest[4] the money in any manner authorised by it[5], provided that in making the selection he uses proper care and caution, and avoids investments which are accompanied by risk[6].

The court has power to vary the investment powers conferred by a trust instrument[7].

The language of the trust instrument has traditionally been strictly construed; and, under a direction to trustees to invest the trust fund, or place out the trust fund at interest or on security, at their discretion, it has been held that they may only invest in proper trustee securities[8].

In more modern circumstances courts have been, however, more ready to find that an express authority to invest in such investments as the trustees think fit entitles them to invest in such investments as they honestly think desirable, whether or not those investments are trustee investments under the relevant statutory provisions[9].

In the absence of a clear express provision, trustees may not gear up the trust fund by borrowing on the security of trust property in order to acquire further property for the trust[10].

1 The investment clause contained in the trust instrument may be so drawn e g as not to permit investment in some securities authorised by law for the investment of trust funds: see e g *Re Warren, Public Trustee v Fletcher* [1939] Ch 684, [1939] 2 All ER 599; *Re Rider's Will Trusts, Nelson v Rider* [1958] 3 All ER 135, [1958] 1 WLR 974. If the trust instrument directs and requires trustees to make some specified investment, they are under a duty to do so even if it is one of which they disapprove: *Beauclerk v Ashburnham* (1845) 8 Beav 322; *Cadogan v Earl of Essex* (1854) 2 Drew 227; *Re Hurst, Addison v Topp* (1890) 63 LT 665.

2 *Beauclerk v Ashburnham* (1845) 8 Beav 322; *Cadogan v Earl of Essex* (1854) 2 Drew 227.

3 A common condition is the consent of one or more of the beneficiaries, which may, generally speaking, be given either before or after the investment: *Stevens v Robertson* (1868) 37 LJ Ch 499 at 502 per Stuart V-C; but see *Bateman v Davis* (1818) 3 Madd 98. Where a beneficiary improperly withholds his consent, the court may dispense with it: *Costello v O'Rorke* (1869) IR 3 Eq 172 at 184; *Re Hart's Will Trusts, Hart v Hart* [1943] 2 All ER 557.

There are conflicting authorities as to whether a power of investment 'with the consent of X' gives X a beneficial power which he can use for his own benefit, or effectively release, or whether it gives X a fiduciary power which he should use in the interests of all the beneficiaries, and which he is unable to release. In the absence of a controlling context the former view is perhaps to be preferred: *Re Wise's Settlement, Wise v Hankey* (9 July 1954, unreported) discussed in (1954) 218 LT Jo 116, where Wynn-Parry J said that he preferred *Dicconson v Talbot* (1870) 6 Ch App 32 to *Re Massingberd's Settlement, Clark v Trelawney* (1890) 63 LT 296, CA. Cf *Wiles v Gresham* (1854) 2 Drew 258; affd 5 De GM & G 770.

5 *Re Whiteley, Whiteley v Learoyd* (1886) 33 ChD 347 at 358, CA, per Lopes LJ; on appeal sub nom *Learoyd v Whiteley* (1887) 12 App Cas 727 at 733, HL, per Lord Watson. The instrument may authorise an investment in foreign government bonds passing by delivery: *Arnould v Grinstead* (1872) 21 WR 155. A direction to invest in foreign government securities authorises an investment in the securities of a subordinate government, such as that of one of the states of the United States of America (*Cadett v Earle* (1877) 5 ChD 710), but a power to invest in the stocks or securities of a British colony or dependency does not authorise an investment in the stocks of a Canadian province (*Re Maryon-Wilson's Estate* [1912] 1 Ch 55, CA) or, since the Statute of Westminster 1931 came into force, in Canadian stocks generally (*Re Brassey's Settlement, Barclays Bank Ltd v Brassey* [1955] 1 All ER 577, [1955] 1 WLR 192; but see *Re Rider's Will Trusts, Nelson v Rider* [1958] 3 All ER 135, [1958] 1 WLR 974). Where a testator domiciled in England directed investment in 'South African securities only', it was held that the trustees were not limited to investments authorised by English law and that they had power to invest in such investments as were regarded as suitable for investment by the courts of South Africa: *Re Sebba, Lloyds Bank Ltd v Hutson* [1959] Ch 166, [1958] 3 All ER 393. A direction to trustees to invest in 'such stocks shares and/or convertible debentures in the 'blue chip' category' as they should think fit has been held void for uncertainty: *Re Kolb's Will Trusts, Lloyds Bank Ltd v Ullman* [1962] Ch 531, [1961] 3 All ER 811. A direction to hold existing government securities includes government bonds passing by delivery: *Arnould v Grinstead* supra. A power to leave the fund with a particular firm at interest does not authorise its being so left after a change in the personnel of the firm: *Cummins v Cummins* (1845) 3 Jo & Lat 64; *Re Tucker, Tucker v Tucker* [1894] 1 Ch 724; *Smith v Patrick* [1901] AC 282, HL; *Re Morrison, Morrison v Morrison* [1901] 1 Ch 701. In powers of investment, 'public company' includes any company incorporated under the companies legislation (*Re Sharp, Rickett v Sharp* (1890) 45 ChD 286, CA; but see *Re Castlehow, Lamonby v Carter* [1903] 1 Ch 352), and 'a company incorporated by Act of Parliament' includes any company incorporated by charter granted under the authority of a general Act of Parliament (*Elve v Boyton* [1891] 1 Ch 501, CA), but does not include a company incorporated by registration under the companies legislation (*Re Smith, Davidson v Myrtle* [1896] 2 Ch 590). See also *R v Clowes (No 2)* [1994] 2 All ER 316, CA. A limited company registered and having its head office in the United Kingdom, where its board of directors meets to manage and control its affairs, is 'a company in the United Kingdom', even though the company's property is situated abroad and its operations are carried on abroad: *Re Hilton, Gibbes v Hale-Hinton* [1909] 2 Ch 548 at 551–552 per Neville J. 'Municipal corporation' does not include incorporated harbour trustees: *Hutton v Annan* [1898] AC 289, HL; *Wood v Middleton* (1898) 79 LT 155. A direction to invest in 'public stocks of the Bank of England' has been held to be a direction to invest in public stocks forming part of the national debt and transferable at the Bank of England: see *Re Hill, Fettes v Hill* [1914] WN 132. A reference to stock in an investment clause prima facie includes a reference to shares (*Re McEacharn's Settlement Trusts, Hobson v McEacharn* [1939] Ch 858), and a reference to shares prima facie includes a reference to stock (*Re Boys Will Trusts, Westminster Bank Ltd v Boys* [1950] 1 All ER 624).

6 *Re Whiteley, Whiteley v Learoyd* (1886) 33 ChD 347 at 353, CA; affd sub nom *Learoyd v Whiteley* (1887) 12 App Cas 727 at 733, HL. See also para 1031 post.

7 See para 1011 post.

8 *Dickonson v Player* (1838) Coop Pr Cas 178; *Harris v Harris* (1861) 29 Beav 107; *Bethell v Abraham* (1873) LR 17 Eq 24 at 27 per Jessel MR; *Re Kavanagh, Murphy v Doyle* (1892) 29 LR Ir 333, Ir CA; *Re Brown, Brown v Brown* (1885) 29 ChD 889 at 891. Where there is a direction to invest with power to vary investments as the trustees think fit, the range is limited to trustee investments: *Re Hazeldine, Public Trustee v Hazeldine* [1918] 1 Ch 433; but see *Re Wragg, Wragg v Palmer* [1919] 2 Ch 58 (where trustees who were authorised to invest on investments of whatsoever nature as they should in their absolute discretion deem fit, and as if they were absolute owners, were held to be free to purchase real estate as an investment). A power to employ the trust property at discretion has a wider meaning than to invest at discretion: *Dickonson v Player* supra. See also *Re Hargreaves, Hick v Hargreaves* (1886) [1901] 2 Ch 547n.

9 *Re Harari's Settlement Trusts, Wordsworth v Fanshawe* [1949] 1 All ER 430; *Re Peczenik's Settlement Trusts, Cole v Ingram* [1964] 2 All ER 339, [1964] 1 WLR 720. Where trustees were authorised to invest in such securities as they might think fit, it was held that 'securities' included any stocks or shares or bonds by way of investment: *Re Douglas's Will Trusts, Lloyds Bank Ltd v Nelson* [1959] 2 All ER 620, [1959] 1 WLR 744; affd on another point [1959] 3 All ER 785, [1959] 1 WLR 1212, CA. See also *Khoo Tek Keong v Ch'ng Joo Tuan Neoh* [1934] AC 529, PC (cited in para 1010 note 4 post); *R v Clowes (No 2)* [1994] 2 All ER 316, CA.

10 *Re Suenson-Taylor's Settlement Trusts, Moores v Moores* [1974] 3 All ER 397, [1974] 1 WLR 1280.

1008. Investment in purchase of land under express investment provisions.

A power to a trustee to invest in the purchase of land does not authorise him to invest in the purchase of an equity of redemption[1] even though he is the authorised holder of a second mortgage on the property[2]; nor does such a power authorise a trustee to purchase a house for occupation by the tenant for life, as the valid exercise of a power to invest requires the receipt of income from the investment[3].

In exercising his power the trustee must ascertain to the best of his ability the value of the property intended to be purchased, and must not purchase it at an excessive price[4]. He must take care to get the legal estate and a good title with the property, and must not purchase under conditions which preclude him from doing so[5]. He may purchase freehold ground rents[6]. He must not purchase property of such a nature as unduly to benefit or prejudice one beneficiary as compared with another[7], and must not purchase property on speculation without having money in hand to pay for it at the time[8].

1 *Worman v Worman* (1889) 43 ChD 296. Land purchased before 1 January 1997 is held on trust for sale unless the trust instrument otherwise provides: see the Law of Property Act 1925 s 32(1). This provision is repealed in relation to land purchased on or after 1 January 1997, whether the trust or will in pursuance of which it is purchased came into operation before or after that date, by the Trusts of Land and Appointment of Trustees Act 1996 s 5, Sch 2 para 2. See further SETTLEMENTS vol 42 (Reissue) para 950. For a contrary provision see *Re Hanson, Hanson v Eastwood* [1928] Ch 96.

2 *Worman v Worman* (1889) 43 ChD 296.

3 *Re Power, Public Trustee v Hastings* [1947] Ch 572, [1947] 2 All ER 282 (purchase of a house with vacant possession for the tenant for life and her children held to be unauthorised); *Moss Trustees v King* 1952 SC 523, 1952 SLT 362. See also *Re Wragg, Wragg v Palmer* [1919] 2 Ch 58; *Re Peczenik's Settlement Trusts, Cole v Ingram* [1964] 2 All ER 339, [1964] 1 WLR 720.

4 *Ingle v Partridge (No 2)* (1865) 34 Beav 411 at 412 per Romilly MR; *Fry v Tapson* (1884) 28 ChD 268. The trustee must not rely on a valuation by the vendor's valuer: *Ingle v Partridge (No 2)* supra at 412.

5 *Eastern Counties Rly Co v Hawkes* (1855) 5 HL Cas 331 at 363–364 per Lord Campbell. The trustee is, however, not chargeable with breach of trust only on the ground that in effecting the purchase he has accepted a shorter title than the title which a purchaser is, in the absence of a special contract, entitled to require if the title accepted is such as a person acting with prudence and caution would have accepted: see the Trustee Act 1925 s 8(3) (repealed). Transitional provisions in the Trustee Act 2000 provide that the repeal of the Trustee Act 1925 s 8 does not affect its operation in relation to loans or investments made before the coming into force of that repeal: Trustee Act 2000 s 40(2), Sch 3 para 2. As to the commencement of the Trustee Act 2000 see para 603 note 9 ante. See also para 999 ante. As to the statutory powers of investment under the Trustee Act 2000 see para 1012 et seq post. As to the procedure for obtaining land improvement charges see AGRICULTURE AND FISHERIES vol 1(2) (2007 Reissue) paras 328–340.

6 *Re Peyton's Settlement Trust* (1869) LR 7 Eq 463. Trustees empowered to invest in freehold or leasehold ground rents may purchase those ground rents: *Re Mordan, Legg v Mordan* [1905] 1 Ch 515, CA.
7 *Burges v Lamb* (1809) 16 Ves 174 at 178.
8 *Ecclesiastical Comrs v Pinney* [1899] 2 Ch 729; on appeal [1900] 2 Ch 736, CA.

1009. Non-financial considerations. The duty of trustees to exercise their powers in the best interests of the present and future beneficiaries is paramount. When the purpose of the trust is to provide financial benefits for the beneficiaries, as is usually the case, the best interests of the beneficiaries are normally their financial interests[1]. It follows that a power of investment must be exercised so as to yield the best return for the beneficiaries, judged in relation to the risks of the investments in question; and the prospects of the yield of income and capital appreciation have both to be considered in judging the return from the investment. In considering what investments to make, trustees must put on one side their own personal interests and views[2]. This does not mean that each individual trustee, in genuinely applying his mind and judgment to a trust decision, must divest himself of all personal preferences, of all political beliefs, and of all moral, religious and other conscientiously held beliefs. What he must do is to recognise that he has those preferences, commitments or principles, but nonetheless do his best to exercise fair and impartial judgement on the merits of the issues before him. If he realises that he cannot do so, he should abstain from participating in deciding the issue or, in the extreme case, resign as trustee[3]. Trustees are entitled, or even required, to take into account non-financial criteria where the trust instrument so provides[4].

1 Exceptionally if, for example, the only actual or potential beneficiaries of a trust are all adults with very strict views on moral and social matters, condemning all forms of alcohol, tobacco and popular entertainments, as well as armaments, it might not be for the benefit of such beneficiaries to know that they are obtaining rather larger financial returns under the trust by reason of investments in those activities than they would have received if the trustees had invested the trust funds in other investments: *Cowan v Scargill* [1985] Ch 270 at 288, [1984] 2 All ER 750 at 761 per Megarry V-C. For cases on the meaning of 'benefit' under the Variation of Trusts Act 1958 see para 1062 note 12 post.
2 *Cowan v Scargill* [1985] Ch 270, [1984] 2 All ER 750. See also *Harries v Church Comrs for England* [1993] 2 All ER 300, [1992] 1 WLR 1241 (applying a similar approach in the case of charity trustees).
3 *Martin v City of Edinburgh District Council* 1988 SLT 329, Ct of Sess.
4 *Harries v Church Comrs for England* [1993] 2 All ER 300 at 305, [1992] 1 WLR 1241 at 1247 per Sir Nicholls V-C.

1010. Personal security. The trust instrument may authorise investment on personal security[1], including the security of the personal undertaking of an individual, as well as the security of personal property[2]. A loan of trust money on personal security, however, must be made in good faith and in the interests of the beneficiaries and not merely of the borrower[3], and may not be made unless expressly authorised[4].

It is thought that it would only be in exceptional circumstances that investment on personal security would satisfy the standard investment criteria under the Trustee Act 2000[5].

1 *Re Laing's Settlement, Laing v Radcliffe* [1899] 1 Ch 593. The trustee may lend the trust money to the beneficiary for life if there is a reasonable prospect of repayment by him: *Re Laing's Settlement, Laing v Radcliffe* supra. As to the impropriety of a loan to a beneficiary to enable him to repay a debt to a trustee see *Molyneux v Fletcher* [1898] 1 QB 648. Where under a marriage settlement trustees are empowered with the consent of the wife to lend the trust money to the husband, it has been held that her consent cannot be given retrospectively (*Bateman v Davis* (1818) 3 Madd 98), and that her consent is necessary to every loan made to him from time to time and cannot be given prospectively, but that, unless the terms of her consent only authorise a loan for a limited time, the money may remain on loan to him indefinitely (*Child v Child* (1855) 20 Beav 50).
2 *Forbes v Ross* (1788) 2 Bro CC 430; *Pickard v Anderson* (1872) LR 13 Eq 608.
3 *Langston v Ollivant* (1807) Coop G 33.
4 *Ryder v Bickerton* (1743) 3 Swan 80 note (a); *Holmes v Dring* (1788) 2 Cox Eq Ca 1; *Pocock v Reddington* (1801) 5 Ves 794 at 799 per Arden MR; *Walker v Symonds* (1818) 3 Swan 1 at 63 per Lord Eldon LC;

Mills v Osborne (1834) 7 Sim 30; *Styles v Guy* (1849) 1 Mac & G 422 at 431. In *Khoo Tek Keong v Ch'ng Joo Tuan Neoh* [1934] AC 529, PC, where trustees were authorised to invest in such investments as they in their absolute discretion thought fit, they were held not entitled to lend an interest on a mere personal contract to pay, but entitled to lend at interest upon the security of deposited jewellery. See also *Re Peczenik's Settlement Trusts, Cole v Ingram* [1964] 2 All ER 339, [1964] 1 WLR 720.

5 As to the standard investment criteria see the Trustee Act 2000 s 4(3); and para 1013 post.

1011. Variation of investment clauses by the court. A variation of the investment powers conferred by a trust instrument may be sanctioned by the court under the power to authorise dealings with trust property conferred by the Trustee Act 1925[1], or under the Variation of Trusts Act 1958[2]. The powers of a court[3] to confer wider powers of investment on trustees were not lessened by the enlargement of investment powers conferred by the Trustee Investments Act 1961, and the extent to which any such power of the court may be exercised is unaffected by that Act[4]. Nor is there anything in the Trustee Act 2000 which would affect any such power of the court[5]. However, the width of the statutory power contained in the Trustee Act 2000[6] means that the need to apply to court for extensions of express powers is now much reduced.

1 See the Trustee Act 1925 s 57; and para 1061 post. Under s 57, the court can undoubtedly authorise the investment of particular money in particular securities not authorised by the trust instrument, but some doubt exists as to how far the court can confer a general power to invest in securities of a class not authorised (*Re Coates' Will Trusts* [1959] 2 All ER 47n at 54n, [1959] 1 WLR 375 at 378; and see *Re Royal Society's Charitable Trusts, Royal Society v A-G* [1956] Ch 87 at 91, [1955] 3 All ER 14 at 15), although in certain instances orders conferring such a power have been made (see *Re Brassey's Settlement, Barclays Bank Ltd v Brassey* [1955] 1 All ER 577 at 580, [1955] 1 WLR 192 at 196 (authority to invest in shares of banking companies in any British Dominion); *Re Shipwrecked Fishermen and Mariners' Royal Benevolent Society Charity* [1959] Ch 220 at 228, [1958] 3 All ER 465 at 467–468 (charitable trust)). See also *Re Kolb's Will Trusts, Lloyds Bank Ltd v Ullman* [1962] Ch 531 at 539, [1961] 3 All ER 811 at 815; *Mason v Farbrother* [1983] 2 All ER 1078. Where an application under the Variation of Trusts Act 1958 s 1 (as amended) (see paras 1062–1063 post) is appropriate, e g where all the beneficiaries who are sui juris are willing to consent to the variation, some cases suggest that trustees who seek generally to extend their investment powers should apply under s 1 (as amended) rather than under the Trustee Act 1925 s 57: see *Re Coates' Will Trusts* supra; *Re Byng's Will Trusts* [1959] 2 All ER 47n at 55n, [1959] 1 WLR 375 at 381 per Vaisey J. However, it has since been said that, where the beneficial interests under a will or settlement were unaffected, an application for extension of investment powers should be brought under the Trustee Act 1925 s 57 rather than under the Variation of Trusts Act 1958: *Anker-Petersen v Anker-Petersen* [1991] 16 LS Gaz R 32.

2 See the Variation of Trusts Act 1958 s 1 (as amended); and paras 1062–1063 post. In a number of cases the court has approved the variation of investment clauses contained in trust instruments under the powers conferred by the Variation of Trusts Act 1958: see e g *Re Coates' Will Trusts* [1959] 2 All ER 47n, [1959] 1 WLR 375; *Re Warburton's Settlement Trusts* (1960) Times, 15 January; *Re Thompson's Will Trusts* [1960] 3 All ER 378n, [1960] 1 WLR 1165. In such cases, words may be added to the existing investment clause or the whole investment clause may be redrafted by including what is worth retaining of the existing clause and adding the new powers; the latter has been said to be the more convenient course in the majority of cases: *Re Byng's Will Trusts* [1959] 2 All ER 47n at 57n, [1959] 1 WLR 375 at 382. It seems that on an application under the Variation of Trusts Act 1958 relating to the variation of investment powers, the court will not normally make an interim order, as distinct from a final order, enlarging powers of investment: see *Re Lloyd's Will Trusts* (1960) 110 L Jo 476, distinguishing *Re Royal Naval and Royal Marine Children's Homes, Portsmouth, Lloyds Bank Ltd v A-G* [1959] 2 All ER 716n, [1959] 1 WLR 755 (variation of charitable trusts by way of scheme: see note 3 infra). On an application under the Variation of Trusts Act 1958, or by a charity, relating to the variation of investment powers it is not necessary to file evidence by a stockbroker or other expert containing general matters of economic or financial history or arguments in general terms as to the wisdom of extending powers of investment, but this does not preclude the filing of expert evidence relating to matters peculiar to the particular application which an applicant is advised should be brought to the court's attention: *Re Allen's Settlement, Allen v Allen (Practice Note)* [1959] 3 All ER 673n, [1960] 1 WLR 6n. As to evidence on applications under the Variation of Trusts Act 1958 generally see para 1065 post.

3 In addition to the statutory powers mentioned in the text and notes 1–2 supra, the court has a limited inherent jurisdiction to modify or vary trusts: see para 1060 post. The court has also a jurisdiction to vary the investment powers of a charity by means of a scheme: see *Re Royal Society's Charitable Trusts, Royal Society v A-G* [1956] Ch 87, [1955] 3 All ER 14; *Re Royal Naval and Royal Marine Children's Homes,*

Portsmouth, Lloyds Bank Ltd v A-G [1959] 2 All ER 716n, [1959] 1 WLR 755 (where an interim order was made until the coming into force of what is now the Trustee Investments Act 1961). As to schemes relating to charities generally, and as to the power to bring into effect schemes for common investment funds by charities, see CHARITIES. As to evidence on an application for varying a charity's investment powers see note 2 supra.

4 Trustee Investments Act 1961 s 15 (repealed except in so far as s 15 is applied by or under any other enactment). Originally, the court's statutory powers of variation were not exercised so as to confer wider investment powers than those conferred by the Trustee Investments Act 1961 unless special circumstances were shown: see *Re Kolb's Will Trusts, Lloyds Bank Ltd v Ullman* [1962] Ch 531, [1961] 3 All ER 811; *Re Cooper's Settlement, Cooper v Cooper* [1962] Ch 826, [1961] 3 All ER 636. This is no longer the case: see *Trustees of the British Museum v A-G* [1984] 1 All ER 337, [1984] 1 WLR 418. See also *Steel v Wellcome Custodian Trustees Ltd* [1988] 1 WLR 167 (no restriction on nature of investments).

5 Ie the general power of investment contained in the Trustee Act 2000 s 3: see para 1012 post. For the application of the general power of investment to existing trusts see para 1012 note 8 post.

B. STATUTORY POWERS OF INVESTMENT UNDER THE TRUSTEE ACT 2000

1012. The general power of investment. Part II of the Trustee Act 2000[1] is revolutionary in that it replaces the previous system, under which a trustee was only permitted to make specified authorised investments[2], by one under which a trustee[3] may make any kind of investment that he could make if he were absolutely entitled to the assets of the trust[4]. This is called 'the general power of investment'[5]. The general power of investment does not, however, permit a trustee to make investments in land other than in loans secured on land[6].

The general power of investment is in addition to powers otherwise conferred on trustees[7], but is subject to any restriction or exclusion imposed by the trust instrument, or by any enactment or any provision of subordinate legislation[8]. When exercising any power of investment[9] trustees are subject to the statutory duty of care[10].

1 Ie the Trustee Act 2000 Pt II (ss 3–7). Part II applies in relation to trusts whether created before or after its commencement: s 7(1). As to the commencement of the Trustee Act 2000 see para 603 note 9 ante.

2 See the Trustee Act 1925 Pt I (ss 2–11) (repealed); the Trustee Investments Act 1961; and para 1007 et seq ante.

3 The Trustee Act 2000 Pt II does not apply to trustees of authorised unit trusts (s 37(1)) or to trustees managing a fund under a common investment scheme made, or having effect as if made, under the Charities Act 1993 s 24 (see CHARITIES vol 5(2) (2001 Reissue) para 366) (other than such a fund the trusts of which provide that property is not to be transferred to the fund except by or on behalf of a charity the trustees of which are the trustees appointed to manage the fund) or to trustees managing a fund under a common deposit scheme made, or having effect as if made, under s 25 (see CHARITIES vol 5(2) (2001 Reissue) para 367): Trustee Act 2000 s 38. For the meaning of 'authorised unit trust' see para 988 note 2 ante. Nothing in Pt II applies to the trustees of any pension scheme: see s 36(3). Pension scheme trustees have the power to invest as if they were absolutely entitled to the assets: see the Pensions Act 1995 s 34(1); and SOCIAL SECURITY AND PENSIONS vol 44(2) (Reissue) para 803. For the meaning of 'pension scheme' see para 949 note 1 ante.

4 Trustee Act 2000 s 3(1).

5 Ibid s 3(2).

6 Ibid s 3(3). A person invests in a loan secured on land if he has rights under any contract under which: (1) one person provides another with credit; and (2) the obligation of the borrower to repay is secured on land: s 3(4). 'Credit' includes any cash loan or other financial accommodation (s 3(5)); and 'cash' includes money in any form (s 3(6)). The Trustee Act 1925 s 8 and s 9 (protection for trustees complying with certain conditions who lent money on mortgage) continue to apply as regards loans made before 1 February 2001: Trustee Act 2000 Sch 3 paras 2, 3. Much of the guidance on advice contained in the Trustee Act 1925 s 8 is likely to continue to be helpful to trustees lending on mortgage: i e lending only on the advice of an able practical surveyor or valuer instructed and employed independently of any owner of the property and lending no more than two-thirds of the valuation of the property. See also *Shaw v Cates* [1909] 1 Ch 389. Trustees should not be content with an out-of-date valuation: *Macleod v Annesley* (1853) 16 Beav 600; *Re Godfrey, Godfrey v Faulkner* (1883) 23 ChD 483. If trustees do not employ a local valuer, they must show circumstances to explain their selection: *Budge v Gummow* (1872) 7 Ch App 719. As to the acquisition of land see the Trustee Act 2000 Pt III (ss 8–10); and para 1034 post.

7 Ibid s 6(1)(a).

8 Ibid s 6(1)(b). An enactment or a provision of subordinate legislation is not to be regarded as being, or as being part of, a trust instrument: see s 6(2); and para 931 note 1 ante. For the meanings of 'enactment' and 'subordinate legislation' see para 903 note 2 ante.

No provision relating to the powers of a trustee contained in a trust instrument made before 3 August 1961 is to be treated for the purposes of s 6(1)(b) as restricting or excluding the general power of investment: s 7(2). A provision contained in a trust instrument made before the commencement of Pt II which has effect under the Trustee Investments Act 1961 s 3(2) as a power to invest under that Act, or which confers a power to invest under that Act, is to be treated as conferring the general power of investment on a trustee: Trustee Act 2000 s 7(3). The Trustee Investments Act 1961 s 3(2) is repealed, except in so far as it relates to a trustee having a power of investment conferred under an enactment passed before 3 August 1961 and which is not amended by the Trustee Act 2000 Sch 2.

9 Ie whether arising under ibid Pt II or otherwise.

10 See ibid ss 1, 2, Sch 1; and para 949 ante.

1013. Standard investment criteria. The Trustee Act 2000[1] provides that in exercising any power of investment[2] a trustee must have regard to the standard investment criteria[3]. The standard investment criteria, in relation to a trust, are:

(1) the suitability to the trust of investments of the same kind as any particular investment proposed to be made or retained and of that particular investment as an investment of that kind[4]; and

(2) the need for diversification of investments of the trust, in so far as is appropriate to the circumstances of the trust[5].

The Trustee Act 2000 also requires a trustee to review the investments of the trust from time to time and to consider whether, having regard to the standard investment criteria, they should be varied[6].

1 These provisions apply in relation to trusts whenever they were created: see para 1012 note 1 ante.

2 Ie whether arising under the Trustee Act 2000 Pt II (ss 3–7) or otherwise.

3 Ibid s 4(1).

4 Ibid ss 4(3)(a), 39(2). It is thought that 'suitability' includes considerations as to the size and risk of the investment and the need to produce an appropriate balance between income and capital growth to meet the needs of the trust; and that it also includes any relevant ethical considerations as to the kind of investments which it is appropriate for the trust to make.

5 Ibid ss 4(3)(b), 39(2).

6 Ibid s 4(2).

1014. Duty to obtain and consider proper advice. Before exercising any power of investment[1] a trustee must (unless the exception applies)[2] obtain and consider proper advice[3] about the way in which, having regard to the standard investment criteria, the power should be exercised[4]. When reviewing the investments of the trust, a trustee must (unless the exception applies)[5] obtain and consider proper advice[6] about whether, having regard to the standard investment criteria, the investments should be varied[7].

1 Ie whether arising under Trustee Act 2000 Part II (ss 3–7) or otherwise.

2 A trustee need not obtain such advice if he reasonably concludes that in all the circumstances it is unnecessary or inappropriate to do so: ibid s 5(3).

3 Proper advice is the advice of a person who is reasonably believed by the trustee to be qualified to give it by his ability in and practical experience of financial and other matters relating to the proposed investment: ibid s 5(4). The Law Commission did not think it was necessary to impose specific restrictions on who should be eligible to give advice nor that the evidence should have to be given or confirmed in writing: see *Trustees' Powers and Duties* (Law Com no 260) (1999) para 2.34.

4 Trustee Act 2000 s 5(1).

5 See note 2 supra.

6 See note 3 supra.

7 Trustee Act 2000 s 5(2).

1015. Application of powers of investment under Trustee Act 2000 to persons other than trustees. The statutory power of investment[1] is extended to a range of bodies that are not trustees[2] which have investment powers under various public general Acts.

1 See the Trustee Act 2000 s 3; and para 1012 ante.
2 Ibid s 40, Sch 2 Pt 2.

1016. Transitional provisions and savings. The repeal of certain provisions of the Trustee Act 1925 and the Trustee Investments Act 1961 does not affect the operation of those provisions under specified circumstances[1].

A trustee who lent money before 1 February 2001[2] on the security of property on which he could properly lend is not chargeable with breach of trust if certain conditions are satisfied[3].

Where a trustee improperly advanced trust money before 1 February 2001[4] on a mortgage which would have been a proper investment for a smaller sum, the security is deemed an authorised investment for the smaller sum, and the trustee is only liable to make good the excess sum with interest[5].

A banker or banking company who held bearer securities[6] and documents[7] before 1 February 2001[8] is treated as if he or it had been appointed a custodian[9] under the Trustee Act 2000[10].

A person appointed agent or attorney[11] before 1 February 2001[12] is treated as if he had been appointed an agent[13] under the Trustee Act 2000[14]. An appointment of an agent in respect of property outside the United Kingdom[15] made before 1 February 2001[16] is not affected by the repeal of the statutory power to appoint such agents[17].

A trustee is not liable for breach of trust merely because he continues to hold a perpetual rentcharge[18]. A person who is not a trustee and before 1 February 2001[19] had powers to invest in a perpetual rentcharge[20] and on 1 February 2001[21] acquired the general power of investment is not treated as exceeding his powers of investment merely because he continues to hold the rentcharge[22].

1 See the Trustee Act 2000 s 40, Sch 2 paras 1–6.
2 Ie the commencement of the Trustee Act 2000: see para 603 note 9 ante.
3 See the Trustee Act 1925 s 8 (repealed, except in relation to loans or investments made before the coming into force of the Trustee Act 2000 s 40, Sch 2 para 18); and the Trustee Act 2000 Sch 3 para 2. The trustee is not liable by reason only of the proportion borne by the amount of the loan to the value of the property at the time when the loan was made if it appears to the court that: (1) the trustee, in making the loan, was acting on a report as to the value of the property made by a person he reasonably believed to be an able practical surveyor or valuer instructed and employed independently of any owner of the property, whether such surveyor or valuer carried on business in the locality where the property is situated or elsewhere; and (2) the amount of the loan did not exceed two third parts of the value of the property as stated in the report; and (3) the loan was made under the advice of the surveyor or valuer: Trustee Act 1925 s 8(1) (repealed); Trustee Act 2000 Sch 3 para 2.

A trustee lending money on the security of any leasehold property is not chargeable with breach of trust by reason only that in making the loan he dispensed either wholly or partly with the production or investigation of the lessor's title: Trustee Act 1925 s 8(2) (repealed); Trustee Act 2000 Sch 3 para 2.

A trustee is not chargeable with breach of trust by reason only that in effecting the purchase, or in lending money upon the security, of any property he accepted a shorter title than that which a purchaser is, in the absence of a special contract, entitled to require if, in the opinion of the court, the title accepted was one which a person acting with prudence and caution would have accepted: Trustee Act 1925 s 8(3) (repealed); Trustee Act 2000 Sch 3 para 2. See also *Re Walker, Walker v Walker* (1890) 59 LJ Ch 386; *Re Somerset, Somerset v Earl Poulett* [1894] 1 Ch 231; *Re Dive, Dive v Roebuck* [1909] 1 Ch 328; *Shaw v Cates* [1909] 1 Ch 389. If a valuer properly appointed makes his valuation on a wrong principle, the trustees, having employed a skilled agent, are not liable: *Re Pearson, Oxley v Scarth* (1884) 51 LT 692. A surveyor's fee for the report should not be dependent on the transaction being carried through: *Marquis of Salisbury v Keymer* (1909) 25 TLR 278. If the trustee neglects to obtain such a report, he may be held liable for a deficiency in the security if he trusted the mortgagor's valuer (*Waring v Waring* (1852) 3 I Ch R 331; *Ingle v Partridge (No 2)* (1865) 34 Beav 411; *Fry v Tapson* (1884) 28 ChD 268; *Walcott v Lyons* (1886) 54 LT 786), or if he did not employ and properly instruct a valuer and surveyor of his own (*Waring v Waring* supra; *Fry v Tapson* supra; *Re Olive, Olive v Westerman* (1886) 34 ChD 70; *Re Somerset, Somerset v Earl Poulett* supra; *Waite v Parkinson* (1901) 85 LT 456; *Shaw v Cates* supra; *Re Solomon, Nore v Meyer* [1912] 1 Ch 261 (compromised on appeal [1913] 1 Ch 200, CA)), or if he advanced more than one-half of the value in the case of house property (*Stickney v Sewell* (1835) 1 My & Cr 8; *Macleod v Annesley* (1853) 16

Beav 600; *Stretton v Ashmall* (1854) 3 Drew 9; *Fry v Tapson* supra at 279; *Smethurst v Hastings* (1885) 30 ChD 490 at 498 per Bacon V-C; *Re Olive, Olive v Westerman* supra; *Re Salmon, Priest v Uppleby* (1889) 42 ChD 351 at 364 et seq, CA) or more than two-thirds in the case of other property (*Stickney v Sewell* supra; *Macleod v Annesley* supra; *Re Godfrey, Godfrey v Faulkner* (1883) 23 ChD 483; *Re Medland, Eland v Medland* (1889) 41 ChD 476 at 481, CA, per North J). As to the proper amount to advance in the case of trade property see *Stretton v Ashmall* supra; *Budge v Gummow* (1872) 7 Ch App 719; *Walcott v Lyons* (1886) 54 LT 786; *Learoyd v Whiteley* (1887) 12 App Cas 727, HL; *Palmer v Emerson* [1911] 1 Ch 758. As to leaseholds see *Hoey v Green* (1884) 1 TLR 116. As to the measure of damages where a valuer negligently makes a wrong valuation see *Baxter v FW Gapp & Co Ltd and Gapp* [1939] 2 KB 271, [1939] 2 All ER 752, CA; *Perry v Sidney Phillips & Son* [1982] 3 All ER 705, [1982] 1 WLR 1297, CA.

4 See note 3 supra.
5 Trustee Act 1925 s 9 (repealed, except in relation to any advance of trust money before 1 February 2001); Trustee Act 2000 Sch 3 para 3.
6 Ie under the Trustee Act 1925 s 7(1) (repealed).
7 Ie under ibid s 21 (repealed).
8 Ie the day on which the Trustee Act 2000 Pt IV (ss 11–27) came into force (see note 2 supra).
9 Ie a custodian of the securities under ibid s 18 (see para 991 ante) and of the documents under s 17 (see para 991 ante).
10 See ibid Sch 3 paras 1, 4.
11 Ie under the Trustee Act 1925 s 23(1) or (3) (s 23 repealed, except in so far as it does not affect the operation of an appointment made under s 23 before 1 February 2001).
12 See note 8 supra.
13 Ie authorised to exercise functions as an agent under the Trustee Act 2000 s 11 (see para 989 ante) and, if appropriate, to act as custodian or nominee under Pt IV.
14 Ibid Sch 3 para 5.
15 Ie under the Trustee Act 1925 s 23(2) (repealed: see note 11 supra).
16 See note 8 supra.
17 Trustee Act 2000 Sch 3 para 6. See para 999 ante.
18 Ibid Sch 3 para 7(1). A perpetual rentcharge is one acquired by virtue of the Trustee Investments Act 1961 Sch 1 Pt II para 14 (repealed, except in so far as it is applied by or under any other enactment).
19 Ie before the commencement of the Trustee Act 2000 Pt II (ss 3–7) (see note 2 supra).
20 Ie under the Trustee Investments Act 1961 Sch 1 Pt II para 14 (repealed: see note 18 supra).
21 See note 19 supra.
22 Trustee Act 2000 Sch 3 para 7(2). See note 18 supra.

C. STATUTORY POWERS OF INVESTMENT UNDER THE TRUSTEE INVESTMENTS ACT 1961

(A) Substantial Repeal of Trustee Investments Act 1961

1017. Repeal of Trustee Investments Act 1961. The Trustee Investments Act 1961 was substantially repealed by the Trustee Act 2000[1]. However, it was not possible to repeal the Act as a whole[2] and, therefore, many provisions are repealed except:

(1) in so far as certain provisions3 are applied by or under any other enactment4; and

(2) in so far as certain provisions5 relate to a trustee having a power of investment conferred on him under an enactment passed before the passing of the Trustee Investments Act 19616 which is not amended7 by the Trustee Act 20008.

Certain provisions remain in force[9].

1 See the Trustee Act 2000 s 40(3), Sch 4 Pt 1.
2 See *Trustees' Powers and Duties* (Law Com no 260) (1999) para 2.22. See also *Trustees' Powers and Duties* (Law Com no 172) (1999) para 2.23, footnote 41.
3 Ie the Trustee Investment Act 1961 ss 1, 2, 5, 6, 12, 13, 15 (see para 1020 et seq post).
4 Trustee Act 2000 s 40(1), (3), Sch 2 Pt I para 1(1), Sch 4 Pt 1.
5 Ie the Trustee Investments Act 1961 s 3 and Schs 2, 3.
6 Ie 3 August 1961.
7 Ie by the Trustee Act 2000 s 40(1), Sch 2.
8 Ibid s 40(1), (3), Sch 2 Pt 1 para 1(2), Sch 4 Pt 1.
9 Ie the Trustee Investments Act 1961 ss 4, 7, 11, 17.

1018. Restrictions on powers under Trustee Investments Act 1961. Under the Trustee Investments Act 1961[1], no provision relating to a trustee's[2] powers of investment contained in any instrument, not being an enactment or an instrument made under an enactment, made before 3 August 1961[3] is capable of limiting the powers of investment which the Act confers[4], but those powers are exercisable only in so far as a contrary intention is not expressed[5] in any Act or instrument made under an enactment, whenever passed or made, relating to the trustee's powers of investment or in any other instrument so relating which is made on or after 3 August 1961[6].

1 Except where the context otherwise requires, expressions in the Trustee Investments Act 1961 have the same meaning as in the Trustee Act 1925: Trustee Investments Act 1961 s 17(4). The Trustee Investments Act 1961 applies to funds held by a corporation in trust for a charity: see *Re Manchester Royal Infirmary, Manchester Royal Infirmary v A-G* (1889) 43 ChD 420.

2 Ie a person having trustee investment powers. As to the substantial repeal of the Trustee Investments Act 1961 in relation to trustees see para 1017 ante. As to the application of the Trustee Investments Act 1961 to persons other than trustees having trustee investment powers and to special cases see para 1019 post.

3 Ie the date of the passing of the Trustee Investments Act 1961.

4 Ie the powers conferred by ibid s 1 (repealed with savings: see para 1017 ante): see para 1020 et seq post.

5 It seems that 'only in so far as a contrary intention is not expressed' is to be construed as 'unless expressly forbidden': see *Re Warren, Public Trustee v Fletcher* [1939] Ch 684 at 688, [1939] 2 All ER 599 at 602; *Re Rider's Will Trusts, Nelson v Rider* [1958] 3 All ER 135, [1958] 1 WLR 974. Both those cases were decisions in relation to investment on the meaning of the words 'unless a contrary intention is expressed in the instrument, if any, creating the trust', contained in the Trustee Act 1925 s 69(2). That expression was held in those two cases to have the same force as 'unless expressly forbidden by the instrument, if any, creating the trust' in the Trustee Act 1893 s 1 (repealed). For cases under that Act see *Re Owthwaite, Owthwaite v Taylor* [1891] 3 Ch 494; *Re Maire, Maire v De la Batut* (1905) 49 Sol Jo 383; *Re Burke, Burke v Burke* [1908] 2 Ch 248; *Re Hill, Fettes v Hill* [1914] WN 132. Cf *Re Westby* [1932] IR 444.

6 Trustee Investments Act 1961 s 1(3) (repealed with savings: see para 1017 ante).

(B) Application of Trustee Investments Act 1961

1019. Application of Trustee Investments Act 1961. Where any persons, not being trustees, have a statutory power[1] of making investments which is or includes power, however expressed:

(1) to make the like investments as were authorised by the enactment which formerly specified the investments which were authorised trustee investments[2]; or

(2) to make the like investments as trustees are for the time being authorised by law to make[3],

the statutory provisions which govern the powers of investment of trustees[4] apply with the necessary modifications in relation to those persons as if they were trustees[5].

1 For these purposes, 'statutory power' means a power conferred by an enactment passed before 3 August 1961 (i e the date of the passing of the Trustee Investments Act 1961) or by any instrument made under any such enactment: see the Trustee Investments Act 1961 s 7(3). As to the statutory powers of investment under the Trustee Act 2000 see para 1012 et seq ante. As to the substantial repeal of the Trustee Investments Act 1961 in relation to trustees see para 1017 ante.

2 Ibid s 7(1)(a). The enactment referred to in the text is the Trustee Act 1925 s 1 (repealed with savings: see para 1017 ante).

3 Trustee Investments Act 1961 s 7(1)(b).

4 Ie ibid ss 1–6 (s 4 as amended; ss 1–3, 5–6 repealed with savings: see para 1017 ante): see para 1020 et seq ante.

5 Ibid s 7(1). Property belonging to a consolidated loans fund, or any other fund applicable wholly or partly for the redemption of debt, may not by virtue of ss 1–6 (s 4 as amended; ss 1–3, 5–6 repealed with savings: see para 1017 ante) be invested or held invested in any manner specified in Sch 1 Pt II para 6 (see para 1023 head (9) post) or in wider-range investments (see para 1024 post): s 7(1) proviso. For these purposes, 'consolidated loans fund' means a loans fund established under the Local Government Act 1958 s 55 (repealed): see the Trustee Investments Act 1961 s 7(3). The Local Government Act 1958 s 55

(repealed) was replaced by the Local Government Act 1972 s 172, Sch 13 para 15, which has now also been repealed. As to borrowing powers of local authorities see now the Local Government Act 2003 Part 1 (ss 1–9); and LOCAL GOVERNMENT.

Where, in the exercise of powers conferred by any enactment, an authority to which the Trustee Investments Act 1961 Sch 1 Pt II para 9 (as amended; repealed with savings: see para 1017 ante) (see para 1023 head (11) post) applies uses money belonging to any fund for a purpose for which the authority has power to borrow, then ss 1–6 (s 4 as amended; repealed with savings: see para 1017 ante), as applied by s 7(1), apply as if there were comprised in the fund (in addition to its actual content) property, being narrower-range investments (see para 1021 post), having a value equal to so much of that money as for the time being has not been repaid to the fund, and accordingly any repayment of that money to the fund is not to be treated for investment purposes as an accrual of property to the fund: s 7(2). An authority is not, however, required to comply with s 6 (repealed except in so far as applied by or under any other enactment) (see para 1027 post) in relation to the exercise of such powers: s 7(2) proviso.

(C) Narrower-range and Wider-range Investments and Special-range Property

1020. General investment powers. In general[1] a person having trustee investment powers may invest any property[2] in his hands, whether at the time in a state of investment or not, in narrower-range investments[3], or, subject to certain restrictions[4], wider-range investments[5], and may from time to time vary any such investments[6].

In the exercise of his powers of investment under the Act a person having trustee investment powers must have regard to: (1) the need for diversification of investments of the trust, in so far as is appropriate to the circumstances of the trust; and (2) the suitability to the trust of investments of the description of investment proposed and of the investment proposed as an investment of that description[7].

1 As to the effect of provisions in enactments or instruments limiting the trustee's powers see para 1018 ante.

2 For these purposes, 'property' includes real or personal property of any description, including money and things in action; it does not, however, include any interest in expectancy, but the falling into possession of such an interest, or the receipt of proceeds of its sale, is treated as an accrual of property to the trust fund: Trustee Investments Act 1961 s 4(1). As to things in action see CHOSES IN ACTION. As to the substantial repeal of the Trustee Investments Act 1961 in relation to trustees see para 1017 ante.

3 For these purposes, 'narrower-range investment' means an investment falling within ibid Sch 1 Pt I (paras 1–2) (as amended; repealed with savings: see para 1017 ante) or Sch 1 Pt II (paras 1–24) (as amended; repealed with savings: see para 1017 ante): s 1(4) (s 1 repealed with savings: see para 1017 ante). As to narrower-range investments see paras 1021–1023 post.

4 See ibid s 2 (repealed with savings: see para 1017 ante); and para 1025 post.

5 For these purposes, 'wider-range investment' means an investment falling within ibid Sch 1 Pt III (paras 1–6) (as amended; repealed with savings: see para 1017 ante): s 1(4) (repealed with savings: see para 1017 ante). As to wider-range investments see paras 1024–1025 post.

6 Ibid s 1(1) (repealed with savings: see para 1017 ante). Her Majesty may by Order in Council extend the powers of investment conferred by s 1 (repealed), by adding to Sch 1 Pt I (as amended; repealed with savings: see para 1017 ante), Sch 1 Pt II (as amended; repealed with savings: see para 1017 ante) or Sch 1 Pt III (as amended; repealed with savings: see para 1017 ante), any manner of investment specified in the order: s 12(1) (s 12 repealed with savings: see para 1017 ante). Any order so made is subject to annulment in pursuance of a resolution of either House of Parliament: s 12(2) (repealed with savings: see para 1017 ante). As to the orders made under s 12 (repealed with savings) which are currently in force see the notes to para 1022 et seq post. A person exercising the powers of investment may not invest in any securities where the holder can be required to accept repayment of the principal, or the payment of any interest, otherwise than in sterling, in the currency of a relevant state or in the euro unit: see s 1(2), Sch 1 Pt IV para 1 (amended by the Trustee Investments (Additional Powers) (No 2) Order 1994, SI 1994/1908, art 3(1), (2); repealed with savings: see para 1017 ante). For these purposes, 'securities' includes shares, debentures, units within the Trustee Investments Act 1961 Sch 1 Pt III para 3 (as substituted; repealed with savings: see para 1017 ante) or Sch 1 Pt III para 6 (as added; repealed with savings: see para 1017 ante) (see para 1024 post), Treasury bills and tax reserve certificates: Sch 1 Pt IV para 4 (definition amended by the Financial Services Act 1986 s 212(2), Sch 16 para 2(d); and the Trustee Investments (Additional Powers) (No 2) Order 1994, SI 1994/1908, art 3(1), (6)(b); repealed with savings: see para 1017 ante). 'Relevant state' means Austria, Finland, Iceland, Liechtenstein, Norway, Sweden or a member state other than the United Kingdom: Trustee Investments Act 1961 Sch 1 Pt IV para 4

(definition added by the Trustee Investments (Additional Powers) (No 2) Order 1994, SI 1994/1908, art 3(1), (6)(a)); and amended by the Trustee Investments (Additional Powers) Order 1995, SI 1995/768, art 2; repealed with savings: see para 1017 ante).

7 Trustee Investments Act 1961 s 6(1) (s 6 repealed with savings: see para 1017 ante). A person exercising the powers of investment must use his discretion: see the Trustee Act 1925 s 3 (repealed); the Trustee Investments Act 1961 s 16(1), Sch 4 para 1(1) (repealed); and paras 1018 ante, 1031 post. He must use ordinary prudence in the exercise of his investment powers: *Learoyd v Whiteley* (1887) 12 App Cas 727, HL; *Bartlett v Barclays Bank Trust Co Ltd* [1980] Ch 515, [1980] 1 All ER 139; and see *Nestle v National Westminster Bank plc* [1994] 1 All ER 118, [1993] 1 WLR 1260, CA. See also *Cowan v Scargill* [1985] Ch 270, [1984] 2 All ER 750 (duty of pension fund trustees). As to the necessity to take advice in certain cases as to the matters mentioned in the text before an investment is made see para 1027 post.

1021. Narrower-range investments authorised by statute. The narrower-range investments authorised by the Trustee Investments Act 1961 are divided into two groups:

(1) narrower-range investments in which a person having trustee investment powers may invest without being required to take advice as to whether the investment is satisfactory[1];

(2) narrower-range investments in which a person having trustee investment powers may not invest without obtaining and considering proper advice on the question whether the investment is satisfactory having regard to certain matters[2].

1 See the Trustee Investments Act 1961 s 1(1), (4) (s 1 repealed with savings: see para 1017 ante), Sch 1 Pt I (paras 1–2) (as amended; Sch 1 repealed with savings: see para 1017 ante); and para 1022 post.

2 See ibid s 1(1), (4) (s 1 repealed with savings: see para 1017 ante), Sch 1 Pt II (paras 1–24) (as amended; repealed with savings: see para 1017 ante); and para 1023 post. As to the duty to take advice and the nature of the advice to be taken see para 1027 post.

1022. Narrower-range investments not requiring advice. The narrower-range investments in which a person having trustee investment powers may invest without being required to take advice are:

(1) Defence Bonds, National Savings Certificates, Ulster Savings Certificates, Ulster Development Bonds, National Development Bonds, British Savings Bonds, National Savings Income Bonds, National Savings Deposit Bonds, National Savings Indexed-Income Bonds, National Savings Capital Bonds, National Savings FIRST Option Bonds, National Savings Pensioners Guaranteed Income Bonds[1]; and

(2) deposits in the National Savings Bank[2].

1 Trustee Investments Act 1961 s 1(1), Sch 1 Pt I para 1 (amended by the Trustee Investments (Additional Powers) (No 2) Order 1962, SI 1962/2611, art 1; the Trustee Investments (Additional Powers) Order 1964, SI 1964/703, art 1; the Trustee Investments (Additional Powers) Order 1968, SI 1968/470, art 1; the Trustee Investments (Additional Powers) Order 1982, SI 1982/1086, art 2; the Trustee Investments (Additional Powers) (No 2) Order 1983, SI 1983/1525, art 2; the Trustee Investments (Additional Powers) Order 1985, SI 1985/1780, art 2; the Trustee Investments (Additional Powers) Order 1988, SI 1988/2254, art 2; the Trustee Investments (Additional Powers) Order 1992, SI 1992/1738, art 2; and the Trustee Investments (Additional Powers) Order 1994, SI 1994/265, art 2; and repealed with savings: see para 1017 ante). See further, in relation to eligible debt securities, the Uncertificated Securities (Amendment) (Eligible Debt Securities) Regulations 2003 SI 2003/1633, reg 15 Sch 2 paras 8(1), (2)(a).

2 Trustee Investments Act 1961 Sch 1 Pt I para 2 (amended by the Post Office Act 1969 ss 94, 114, Sch 6 Pt III; and the Trustee Savings Banks Act 1976 s 36(2), Sch 6; and repealed with savings: see para 1017 ante).

For the purpose of the provisions of the National Savings Bank Act 1971 limiting the amount of deposits (see s 4(1); and BANKING vol 3(1) (2005 Reissue) para 124), a person who is a trustee is treated separately in his personal capacity and in his capacity as trustee; and in his capacity as trustee he is treated separately in respect of each separate trust fund: see s 4(3).

1023. Narrower-range investments requiring advice. The narrower-range investments in which a person having trustee investment powers may not invest without advice[1] consist of the following classes of securities[2]:

(1) securities issued by Her Majesty's United Kingdom[3] government, the government of Northern Ireland or the government of the Isle of Man, not being narrower-range investments not requiring advice[4] and being fixed-interest securities[5] registered in the United Kingdom or the Isle of Man, Treasury bills[6] or tax reserve certificates or any variable interest securities issued by Her Majesty's United Kingdom government and registered in the United Kingdom[7];

(2) any securities the payment of interest on which is guaranteed by Her Majesty's United Kingdom government or the government of Northern Ireland[8];

(3) fixed-interest securities issued in the United Kingdom by any public authority or nationalised industry or undertaking in the United Kingdom[9];

(4) fixed-interest securities issued in the United Kingdom by the government of any overseas territory[10] within the Commonwealth or by any public or local authority within such a territory, being securities registered in the United Kingdom[11];

(5) securities issued in the United Kingdom by the government of an overseas territory within the Commonwealth or by any public or local authority within such a territory, being securities registered in the United Kingdom and in respect of which the rate of interest is variable by reference to one or more of certain specified rates[12];

(6) fixed-interest securities issued in the United Kingdom by:

(a) the African Development Bank, the Asian Development Bank, the Caribbean Development Bank, the European Bank for Reconstruction and Development[13], the International Finance Corporation[14], the International Monetary Fund[15] or the International Bank for Reconstruction and Development[16], being securities registered in the United Kingdom[17]; or

(b) the Inter-American Development Bank[18]; or

(c) the European Atomic Energy Community, the European Economic Community, the European Investment Bank or the European Coal and Steel Community, being securities registered in the United Kingdom[19];

(7) securities issued in the United Kingdom by:

(a) the International Bank for Reconstruction and Development or the European Investment Bank or the European Coal and Steel Community, being securities registered in the United Kingdom; or

(b) the Inter-American Development Bank,

being securities of which the rate of interest is variable by reference to one or more of certain specified rates[20];

(8) securities issued in the United Kingdom by the African Development Bank, the Asian Development Bank, the Caribbean Development Bank, the European Atomic Energy Community, the European Bank for Reconstruction and Development, the European Economic Community, the International Finance Corporation or the International Monetary Fund, being securities registered in the United Kingdom and in respect of which the rate of interest is variable by reference to one or more of certain specified rates[21];

(9) debentures[22] issued in the United Kingdom by a company incorporated[23] in the United Kingdom, being debentures registered in the United Kingdom[24];

(10) stock of the Bank of Ireland and Bank of Ireland 7 per cent Loan Stock 1968/91[25];

(11) loans to any local authority in the United Kingdom[26] and certain other specified authorities[27] charged on all or any of the revenues of the authority or on a fund into which all or any of those revenues are payable, any fixed-interest securities issued in the United Kingdom by any such authority for the purpose of borrowing money so charged, and deposits with any such authority by way of temporary loan made on the giving of a receipt for the loan by the treasurer or other similar officer of the authority and on the giving of an undertaking by the authority that, if requested so to charge the loan, it will either comply with the request or repay the loan[28];

(12) securities issued in the United Kingdom by any authority to which head (11) above applies for the purpose of borrowing money charged on all or any of the revenues of the authority or on a fund into which all or any of those revenues are payable and being securities in respect of which the rate of interest is variable by reference to one or more of certain rates[29];

(13) any units of a gilt unit trust scheme[30];

(14) deposits with a building society[31];

(15) mortgages of freehold property in England and Wales or Northern Ireland and of leasehold property in those countries[32] of which the unexpired term at the time of investment is not less than 60 years, and loans on heritable security in Scotland[33];

(16) perpetual rentcharges charged on land in England and Wales or Northern Ireland and fee-farm rents (not being rentcharges) issuing out of the land[34];

(17) certificates of tax deposit[35];

(18) fixed-interest or variable interest securities issued by the government of a relevant state[36];

(19) any securities the payment of interest on which is guaranteed by the government of a relevant state[37];

(20) fixed-interest securities issued in any relevant state by any public authority or nationalised industry or undertaking in that state[38];

(21) fixed-interest or variable interest securities issued in a relevant state by the government of any overseas territory[39] within the Commonwealth or by any public or local authority within such a territory[40];

(22) fixed-interest or variable interest securities issued in a relevant state by the African Development Bank, the Asian Development Bank, the Caribbean Development Bank, the International Finance Corporation, the International Monetary Fund, the International Bank for Reconstruction and Development, the Inter-American Development Bank, the European Atomic Energy Community, the European Bank for Reconstruction and Development, the European Economic Community, the European Investment Bank or the European Coal and Steel Community[41];

(23) debentures issued in any relevant state by a company incorporated in that state[42];

(24) loans to any specified authority[43] secured on all or any of the revenues of the authority or on a fund into which all or any of those revenues are payable, fixed-interest or variable interest securities issued in a relevant state by any such authority in that state for the purpose of borrowing money so secured, and deposits with any specified authority[44] by way of temporary loan made on the giving of a receipt for the loan by the treasurer or other similar officer of the authority and on the giving of an undertaking by the authority that, if requested so to charge the loan, it will either comply with the request or repay the loan[45];

(25) deposits with a mutual investment society[46] whose head office is located in a relevant state[47];

(26) loans secured on any interest in property in a relevant state which corresponds to an interest in property falling within head (15) above[48].

1 See para 1020 ante. The narrower-range investments requiring advice formerly included debentures or the guaranteed or preference stock of any incorporated company, being statutory water undertakers within the meaning of the Water Act 1945, or any corresponding enactment in force in Northern Ireland, and having during each of the ten years immediately preceding the calendar year in which the investment was made paid a dividend of not less than 5% on its ordinary shares: see the Trustee Investments Act 1961 s 1(1), Sch 1 Pt II para 10 (repealed). Schedule 1 Pt II para 10 ceased to have effect, except in so far as it relates to the debentures or guaranteed or preference stock of a company which is a statutory water undertaker within the meaning of an enactment in force in Northern Ireland, as from 1 September 1989; and any property which immediately before that date was, by virtue of that provision, comprised in a particular part of any fund is not required to be treated, for the purposes of the Trustee Investments Act 1961 or for any other purpose, as comprised in a different part of that fund: see the Water Act 1989 s 190(1), Sch 25 para 29(2), (3). As to statutory water undertakers see WATER vol 49(2) (2004 Reissue) para 265 et seq. As to the substantial repeal of the Trustee Investments Act 1961 in relation to trustees see para 1017 ante.

2 See ibid Sch 1 Pt II (paras 1–24) (as amended; repealed with savings: see para 1017 ante). The securities mentioned in Sch 1 Pt II paras 1–7 (as amended; repealed with savings: see para 1017 ante) (see heads (1)–(10) in the text), other than Treasury bills or tax reserve certificates, securities issued before 3 August 1961 by the Isle of Man government, securities falling within Sch 1 Pt II para 4 (repealed with savings: see para 1017 ante) (see head (4) in the text) issued before that date or securities falling within Sch 1 Pt II para 9 (repealed with savings: see para 1017 ante) (see head (11) in the text), and the securities mentioned in Sch 1 Pt III para 1 (repealed with savings: see para 1017 ante) (see para 1024 post), do not include: (1) securities the price of which is not quoted on a recognised investment exchange within the meaning of the Financial Services and Markets Act 2000 s 285 (see FINANCIAL SERVICES vol 18(1) (Reissue) para 539) or on an investment exchange which constitutes the principal or only market established in a relevant state on which securities admitted to official listing are dealt in or traded; or (2) shares or debenture stock not fully paid up, except shares or debenture stock which by the terms of issue are required to be fully paid up within nine months of the date of issue: Trustee Investments Act 1961 s 1(2), Sch 1 Pt IV para 2 (amended by the Financial Services Act 1986 s 212(2), Sch 16 para 2(c); and the Financial Services and Markets Act 2000 (Consequential Amendments and Repeals) Order 2001, SI 2001/3649, art 269(1)(5); repealed with savings: see para 1017 ante). For other limits on the types of securities permitted see the Trustee Investments Act 1961 Sch 1 Pt IV para 1 (as amended; repealed with savings: see para 1017 ante), Sch 1 Pt IV para 2A (as added; repealed with savings: see para 1017 ante), Sch 1 Pt IV para 3 (as amended; repealed with savings: see para 1017 ante); note 24 infra; and para 1020 note 6 ante. For the meaning of 'relevant state' see para 1020 note 6 ante; and for the general meaning of 'securities' see para 1020 note 6 ante.

3 For the meaning of 'United Kingdom' see para 767 note 17 ante.

4 Ie not being securities falling within the Trustee Investments Act 1961 Sch 1 Pt I (paras 1–2) (as amended; repealed with savings: see para 1017 ante): see para 1022 ante.

5 For these purposes, 'fixed-interest securities' means securities which under their terms of issue bear a fixed rate of interest: ibid Sch 1 Pt IV para 4 (repealed with savings: see para 1017 ante).

6 For these purposes, 'Treasury bills' includes bills issued by Her Majesty's United Kingdom government and Northern Ireland Treasury bills: ibid Sch 1 Pt IV para 4 (definition amended by the National Loans Act 1968 s 24(2), Sch 6 Pt I; repealed with savings: see para 1017 ante).

7 Trustee Investments Act 1961 Sch 1 Pt II para 1 (amended by the Trustee Investments (Additional Powers) Order 1977, SI 1977/831, art 3; repealed with savings: see para 1017 ante). Tax reserve certificates have been replaced by certificates of tax deposit: see INCOME TAXATION; and cf head (17) in the text. As to the government of Northern Ireland see CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) para 67 et seq. As to government securities and their registration see MONEY vol 32 (2005 Reissue) para 158 et seq.

8 Trustee Investments Act 1961 Sch 1 Pt II para 2 (repealed with savings: see para 1017 ante).

9 Ibid Sch 1 Pt II para 3 (repealed with savings: see para 1017 ante).

10 For these purposes, references to an overseas territory or to the government of such a territory are to be construed as if they occurred in the Overseas Development and Co-operation Act 1980: see the Trustee Investments Act 1961 Sch 1 Pt II para 4 (repealed with savings: see para 1017 ante); and the Interpretation Act 1978 s 17(2)(a).

11 Trustee Investments Act 1961 Sch 1 Pt II para 4 (repealed with savings: see para 1017 ante).

12 Ibid Sch 1 Pt II para 4A (added by the Trustee Investments (Additional Powers) (No 2) Order 1977, SI 1977/1878, art 3; repealed with savings: see para 1017 ante). The rates so specified are: (1) the Bank of England's minimum lending rate; (2) the average rate of discount on allotment on 91-day Treasury

bills; (3) a yield on 91-day Treasury bills; (4) a London sterling inter-bank offered rate; (5) a London sterling certificate of deposit rate: see the Trustee Investments Act 1961 Sch 1 Pt II para 4A (as so added and repealed with savings).

13 As to the European Bank for Reconstruction and Development see MONEY vol 32 (2005 Reissue) para 217.

14 As to the International Finance Corporation see MONEY vol 32 (2005 Reissue) para 217.

15 As to the International Monetary Fund see MONEY vol 32 (2005 Reissue) para 217.

16 As to the International Bank for Reconstruction and Development see MONEY vol 32 (2005 Reissue) para 217.

17 Trustee Investments Act 1961 Sch 1 Pt II para 5 (amended by the Trustee Investments (Additional Powers) Order 1983, SI 1983/772, art 2(a); and the Trustee Investments (Additional Powers) Order 1991, SI 1991/999, art 2; repealed with savings: see para 1017 ante). As to international development banks see MONEY vol 32 (2005 Reissue) para 217.

18 Trustee Investments Act 1961 Sch 1 Pt II para 5 (amended by the Trustee Investments (Additional Powers) (No 2) Order 1964, SI 1964/1404, art 1; repealed with savings: see para 1017 ante).

19 Trustee Investments Act 1961 Sch 1 Pt II para 5 (amended by the Trustee Investments (Additional Powers) Order 1972, SI 1972/1818, art 3; and the Trustee Investments (Additional Powers) Order 1983, SI 1983/772, art 2(b); repealed with savings: see para 1017 ante).

20 Trustee Investments Act 1961 Sch 1 Pt II para 5A (added by the Trustee Investments (Additional Powers) (No 2) Order 1977, SI 1977/1878, art 3; repealed with savings: see para 1017 ante). The rates specified are identical to those referred to in note 12 heads (1)–(5) supra.

21 Trustee Investments Act 1961 Sch 1 Pt II para 5B (added by the Trustee Investments (Additional Powers) Order 1983, SI 1983/772, art 2(c); and amended by the Trustee Investments (Additional Powers) Order 1991, SI 1991/999, art 2; repealed with savings: see para 1017 ante). The rates specified are identical to those referred to in note 12 heads (2)–(5) supra.

22 For these purposes, 'debenture' includes debenture stock and bonds, whether constituting a charge on assets or not, and loan stock or notes: Trustee Investments Act 1961 Sch 1 Pt IV para 4 (repealed with savings: see para 1017 ante). It does not include debenture stock not fully paid up and not required to be fully paid up within nine months of issue: see note 2 supra.

23 For these purposes, references to an incorporated company, in relation to the United Kingdom, are references to a company incorporated by or under any enactment and include references to a body of persons established for the purpose of trading for profit and incorporated by royal charter: ibid Sch 1 Pt IV para 6 (amended by the Trustee Investments (Additional Powers) (No 2) Order 1994, SI 1994/1908, art 3(1), (7); repealed with savings: see para 1017 ante).

24 Trustee Investments Act 1961 Sch 1 Pt II para 6 (repealed with savings: see para 1017 ante). The securities mentioned in Sch 1 Pt II paras 6, 21 (as added; repealed with savings: see para 1017 ante) (see the text and note 42 infra) and Sch 1 Pt III paras 1, 4 (as added; repealed with savings: see para 1017 ante) (see para 1024 post) do not include: (1) shares or debentures of an incorporated company of which the total issued and paid up share capital is less than £1 million; (2) shares or debentures of an incorporated company of which the total issued and paid up share capital at any time on the business day before the investment is made is less than the equivalent of £1 million in the currency of a relevant state (at the exchange rate prevailing in the United Kingdom at the close of business on the day before the investment is made); (3) shares or debentures of an incorporated company which has not in each of the five years immediately preceding the calendar year in which the investment is made paid a dividend on all the shares issued by the company, excluding any shares issued after the dividend was declared and any shares which by their terms of issue did not rank for the dividend for that year: Sch 1 Pt IV para 3 (amended by the Trustee Investments (Additional Powers) (No 2) Order 1994, SI 1994/1908, art 3(1), (5); repealed with savings: see para 1017 ante). For the purposes of head (3) supra, a company formed to take over the business of another company or other companies or to acquire the securities of, or control of, another company or other companies, or for either of those purposes and for other purposes is deemed to have paid a dividend in any year in which such a dividend has been paid by the other company or all the other companies, as the case may be: Trustee Investments Act 1961 Sch 1 Pt IV para 3 (as so amended; repealed with savings: see para 1017 ante). See also the Electricity (Northern Ireland Consequential Amendments) Order 1992, SI 1992/232, art 4.

25 Trustee Investments Act 1961 Sch 1 Pt II para 7 (amended by the Trustee Investments (Additional Powers) Order 1966, SI 1966/401, art 1; repealed with savings: see para 1017 ante).

26 For these purposes, 'local authority', in relation to the United Kingdom, means any of the following authorities: (1) in England and Wales, the council of a county, a county borough, a borough, an urban or rural district or a parish, the Common Council of the City of London, the Greater London Council and the Council of the Isles of Scilly; (2) in Scotland, a local authority within the meaning of the Local Government (Scotland) Act 1973: Trustee Investments Act 1961 Sch 1 Pt IV para 4 (definition amended by the London Government Act 1963 ss 1(6), 83(1), 93(1), Sch 17 para 25, Sch 18 Pt II; the Local Government Act 1972 ss 1(10), 179(3), (4), 272)(1), Sch 30; the Statute Law (Repeals) Act 1981; and the

Local Government (Wales) Act 1994 s 66(6), Sch 16 para 19(2); repealed with savings: see para 1017 ante). The Greater London Council was abolished as from 1 April 1986 by the Local Government Act 1985 s 1(1)(a), (2) and its functions were transferred mainly to the London borough councils and the Common Council of the City of London by Pt II (ss 2–17) (as amended). As to local government areas and authorities in England and Wales see LOCAL GOVERNMENT vol 29(1) (Reissue) para 23 et seq. As to local government in London, including the Greater London Authority and the London Assembly, see LONDON GOVERNMENT.

27 The specified authorities are:

(1) the Greater London Authority (Trustee Investments Act 1961 Sch 1 Pt II para 9(aa) (added by the Greater London Authority Act 1999 s 387(1), (3)(a); repealed with savings: see para 1017 ante));

(2) any functional body within the meaning of the Greater London Authority Act 1999 (see LONDON GOVERNMENT) (Trustee Investments Act 1961 Sch 1 Pt II para 9(ab) (added by the Greater London Authority Act 1999 s 387(1), (3)(a); repealed with savings: see para 1017 ante));

(3) any authority all the members of which are appointed or elected by one or more local authorities in the United Kingdom (Trustee Investments Act 1961 Sch 1 Pt II para 9(b) (repealed with savings: see para 1017 ante));

(4) any authority the majority of the members of which are appointed or elected by one or more local authorities in the United Kingdom, being an authority which by virtue of any enactment has power to issue a precept to a local authority in England and Wales, or a requisition to a local authority in Scotland, or to the expenses of which, by virtue of any enactment, a local authority in the United Kingdom is or can be required to contribute (Sch 1 Pt II para 9(c) (repealed with savings: see para 1017 ante));

(5) a police authority established under the Police Act 1996 s 3 (see POLICE vol 36(1) (2007 Reissue) para 139) (Trustee Investments Act 1961 Sch 1 Pt II para 9(d) (amended by the Police and Magistrates' Courts Act 1994 s 43, Sch 4 Pt II para 47; the Police Act 1996 s 103, Sch 7 para 1(1), (2)(a); and the Greater London Authority Act 1999 ss 387(1), (3)(b), 423, Sch 34 Pt I; repealed with savings: see para 1017 ante));

(6) the Belfast City and District Water Commissioners (Trustee Investments Act 1961 Sch 1 Pt II para 9(e) (repealed with savings: see para 1017 ante));

(7) the former Great Ouse Water Authority (Sch 1 Pt II para 9(f) (added by the Trustee Investments (Additional Powers) Order 1962, SI 1962/658, art 1; repealed with savings: see para 1017 ante));

(8) any district council in Northern Ireland (Trustee Investments Act 1961 Sch 1 Pt II para 9(g) (added by the Trustee Investments (Additional Powers) Order 1973, SI 1973/1332, art 3; repealed with savings: see para 1017 ante));

(9) any residuary body established by the Local Government Act 1985 s 57 (see LOCAL GOVERNMENT) (Trustee Investments Act 1961 Sch 1 Pt II para 9(i) (added by the Trustee Investments (Additional Powers) Order 1986, SI 1986/601, art 2; repealed with savings: see para 1017 ante)).

28 Trustee Investments Act 1961 Sch 1 Pt II para 9 (repealed with savings: see para 1017 ante).

29 Ibid Sch 1 Pt II para 9A (added by the Trustee Investments (Additional Powers) (No 2) Order 1977, SI 1977/1878, art 3; repealed with savings: see para 1017 ante). The rates specified are identical to those referred to in note 12 heads (1)–(5) supra.

30 Trustee Investments Act 1961 Sch 1 Pt II para 10A (added by the Finance Act 1982 s 150; and substituted by the Financial Services and Markets Act 2000 (Consequential Amendments and Repeals) Order 2001, SI 2001/3649, art 269(1), (2); repealed with savings: see para 1017 ante). For these purposes, references to a gilt unit trust scheme are references to an authorised unit trust scheme or a recognised scheme, the objective of which is: (1) to invest at least 90% of the property of the scheme in loan stock, bonds or other instruments creating indebtedness which are transferable, and are issued or guaranteed by the government of the United Kingdom or of any other country or territory, by a local authority in the United Kingdom or in a relevant state, or by an international organisation the members of which include the United Kingdom or a relevant state; (2) to invest the remainder of the property of the scheme in shares, debentures or other instruments creating or acknowledging indebtedness, certificates representing securities or units in a collective investment scheme: Trustee Investments Act 1961 Sch 1 Pt II para 10A (as so added, substituted and repealed with savings). For these purposes 'authorised unit trust scheme' and 'recognised scheme' have the meanings given by the Financial Services and Markets Act 2000 s 237(3) (see FINANCIAL SERVICES vol 18(1) (Reissue) para 458): Trustee Investments Act 1961 Sch 1 Pt IV para 4A (added by the Financial Services and Markets Act 2000 (Consequential Amendments and Repeals) Order 2001, SI 2001/3649, art 269(1), (6); repealed with savings: see para 1017 ante).

31 Trustee Investments Act 1961 Sch 1 Pt II para 12 (substituted by the Building Societies Act 1986 s 120(1), Sch 18 Pt I para 4(2); repealed with savings: see para 1017 ante). For these purposes, 'building society' means a building society within the meaning of the Building Societies Act 1986 (see BUILDING SOCIETIES vol 4(3) (Reissue) para 401): see the Trustee Investments Act 1961 Sch 1 Pt II para 12 (as so substituted; repealed with savings: see para 1017 ante).

32 'Mortgage', in relation to freehold or leasehold property in Northern Ireland, includes a registered charge which, by virtue of the Local Registration of Title (Ireland) Act 1891 s 40(4) (repealed), or any other enactment, operates as a mortgage by deed: Trustee Investments Act 1961 Sch 1 Pt IV para 5 (repealed with savings: see para 1017 ante).

33 Ibid Sch 1 Pt II para 13 (repealed with savings: see para 1017 ante).

34 Ibid Sch 1 Pt II para 14 (repealed with savings: see para 1017 ante). As to rentcharges see RENTCHARGES AND ANNUITIES. Transitional provisions in the Trustee Act 2000 provide that a trustee is not to be liable for breach of trust merely because he continues to hold an investment by virtue of the Trustee Investments Act 1961 Sch 1 Pt II para 14 (Trustee Act 2000 s 40(2), Sch 3 para 7(1)); and that a person who: (1) is not a trustee; (2) before the commencement of the Trustee Act 2000 Pt II (ss 3–7) had powers to invest in the investments described in the Trustee Investments Act 1961 Sch 1 Pt II para 14; and (3) on that commencement acquired the general power of investment, is not to be treated as exceeding his powers of investment merely because he continues to hold an investment acquired by virtue of Sch 1 Pt II para 14 (Trustee Act 2000 Sch 3 para 7(2)). For the meaning of 'the general power of investment' see para 1012 post. As to the commencement of the Trustee Act 2000 see para 603 note 9 ante.

35 Trustee Investments Act 1961 Sch 1 Pt II para 15 (added by the Trustee Investments (Additional Powers) Order 1975, SI 1975/1710, art 3; repealed with savings: see para 1017 ante). As to certificates of tax deposit see note 7 supra.

36 Trustee Investments Act 1961 Sch 1 Pt II para 16 (added by the Trustee Investments (Additional Powers) (No 2) Order 1994, SI 1994/1908, art 2(2); repealed with savings: see para 1017 ante). The securities mentioned in the Trustee Investments Act 1961 Sch 1 Pt II paras 16–21 (as added), other than securities traded on a relevant money market or securities falling within Sch 1 Pt II para 22 (as added) (see the text and notes 43–45 infra), and the securities falling within Sch 1 Pt III para 4 (as added) (see para 1024 post) do not include: (1) securities the price for which is not quoted on a recognised investment exchange within the meaning of the Financial Services and Markets Act 2000 s 285 or on an investment exchange which constitutes the principal or only market established in a relevant state on which securities admitted to official listing are dealt in or traded; (2) shares or debenture stock not fully paid up (except shares or debenture stock which by the terms of issue are required to be fully paid up within nine months of the date of issue or shares issued with no nominal value): Sch 1 Pt IV para 2A (added by the Trustee Investments (Additional Powers) (No 2) Order 1994, SI 1994/1908, art 3(1), (4); amended by the Financial Services and Markets Act 2000 (Consequential Amendments and Repeals) Order 2001, SI 2001/3649, art 269(1), (5); repealed with savings: see para 1017 ante). For these purposes, 'relevant money market' means a money market which is supervised by the central bank, or a government agency, of a relevant state: Trustee Investments Act 1961 Sch 1 Pt IV para 4 (definition added by the Trustee Investments (Additional Powers) (No 2) Order 1994, SI 1994/1908, art 3(1), (6)(a); repealed with savings: see para 1017 ante).

37 Trustee Investments Act 1961 Sch 1 Pt II para 17 (added by the Trustee Investments (Additional Powers) (No 2) Order 1994, SI 1994/1908, art 2(2); repealed with savings: see para 1017 ante). See also note 36 supra.

38 Trustee Investments Act 1961 Sch 1 Pt II para 18 (added by the Trustee Investments (Additional Powers) (No 2) Order 1994, SI 1994/1908, art 2(2); repealed with savings: see para 1017 ante). See also note 36 supra.

39 For this purpose, 'overseas territory' means any territory or country outside the United Kingdom, and the reference to the government of any overseas territory includes a reference to a government constituted for two or more overseas territories, and to any authority established for the purpose of providing or administering services which are common to, or relate to matters of common interest to, two or more such territories: Trustee Investments Act 1961 Sch 1 Pt II para 19 (added by the Trustee Investments (Additional Powers) (No 2) Order 1994, SI 1994/1908, art 2(2); amended by the International Development Act 2002 s 19(1), Sch 3 para 1; repealed with savings: see para 1017 ante).

40 Trustee Investments Act 1961 Sch 1 Pt II para 19 (as added (see note 39 supra); repealed with savings: see para 1017 ante). See also note 36 supra.

41 Trustee Investments Act 1961 Sch 1 Pt II para 20 (added by the Trustee Investments (Additional Powers) (No 2) Order 1994, SI 1994/1908, art 2(2); repealed with savings: see para 1017 ante). See also note 36 supra.

42 Trustee Investments Act 1961 Sch 1 Pt II para 21 (added by the Trustee Investments (Additional Powers) (No 2) Order 1994, SI 1994/1908, art 2(2); repealed with savings: see para 1017 ante). See also notes 24, 36 supra.

43 Ie any local authority in a relevant state or any authority all the members of which are appointed or elected by one or more local authorities in any such state: see the Trustee Investments Act 1961 Sch 1 Pt II para 22 (as added and repealed with savings: see note 45 infra).

44 See note 43 supra.

45 Trustee Investments Act 1961 Sch 1 Pt II para 22 (added by the Trustee Investments (Additional Powers) (No 2) Order 1994, SI 1994/1908, art 2(2); repealed with savings: see para 1017 ante).

46 For these purposes, 'mutual investment society' means a credit institution which operates on mutual principles and which is authorised by the appropriate supervisory authority of a relevant state: Trustee Investments Act 1961 Sch 1 Pt IV para 4 (definition added by the Trustee Investments (Additional Powers) (No 2) Order 1994, SI 1994/1908, art 3(1), (6)(a); repealed with savings: see para 1017 ante).

47 Trustee Investments Act 1961 Sch 1 Pt II para 23 (added by the Trustee Investments (Additional Powers) (No 2) Order 1994, SI 1994/1908, art 2(2); repealed with savings: see para 1017 ante).

48 Trustee Investments Act 1961 Sch 1 Pt II para 24 (added by the Trustee Investments (Additional Powers) (No 2) Order 1994, SI 1994/1908, art 2(2); repealed with savings: see para 1017 ante).

1024. Wider-range investments authorised by statute. The authorised wider-range investments[1] are:

(1) any securities[2] issued in the United Kingdom[3] by a company incorporated[4] in the United Kingdom, being securities registered in the United Kingdom and not being securities falling within the classes of narrower-range investments[5] requiring advice[6];

(2) shares in a building society[7];

(3) any units of an authorised unit trust scheme[8];

(4) any securities[9] issued in any relevant state[10] by a company incorporated in that state or by an unincorporated body constituted under the law of that state, not being (in either case) securities falling within the classes of narrower-range investments requiring advice or securities which fall within head (6) below[11];

(5) shares in a mutual investment society[12] whose head office is located in a relevant state[13];

(6) units of a recognised investment scheme[14] which does not fall within the classes of narrower-range investments requiring advice[15];

(7) any shares in an open-ended investment company[16].

1 See the Trustee Investments Act 1961 s 1(1), Sch 1 Pt III (paras 1–6) (as amended and repealed with savings). As to the substantial repeal of the Trustee Investments Act 1961 in relation to trustees see para 1017 ante. As to the restrictions on wider-range investment see para 1025 post; and as to the duty to obtain advice see para 1027 post.

2 As to the securities which are not included see the Trustee Investments Act 1961 s 1(2), Sch 1 Pt IV para 2 (as amended; repealed with savings: see para 1017 ante) (see para 1023 note 2 ante) and Sch 1 Pt IV para 3 (as amended; repealed with savings: see para 1017 ante) (see para 1023 note 24 ante).

3 For the meaning of 'United Kingdom' see para 767 note 17 ante.

4 For the meaning of 'incorporated company' see para 1023 note 23 ante.

5 Ie not being securities falling within the Trustee Investments Act 1961 s 1(1) (repealed with savings: see para 1017 ante), Sch 1 Pt II (paras 1–24) (as amended; repealed with savings: see para 1017 ante): see para 1023 ante.

6 Ibid Sch 1 Pt III para 1 (repealed with savings: see para 1017 ante).

7 Ibid Sch 1 Pt III para 2 (substituted by the Building Societies Act 1986 s 120(1), Sch 18 Pt I para 4(3); repealed with savings: see para 1017 ante). For these purposes, 'building society' means a building society within the meaning of the Building Societies Act 1986 (see BUILDING SOCIETIES vol 4(3) (Reissue) para 701): see the Trustee Investments Act 1961 Sch 1 Pt III para 2 (as so substituted and repealed with savings).

8 Ibid Sch 1 Pt III para 3 (substituted by the Financial Services Act 1986 s 212(2), Sch 16 para 2(b); repealed with savings: see para 1017 ante). An authorised unit trust scheme is one within the meaning of the Financial Services and Markets Act 2000 s 237(3) (see FINANCIAL SERVICES vol 18(1) (Reissue) para 458): Trustee Investments Act 1961 Sch 1 Pt III para 3 (as so substituted; repealed with savings: see para 1017 ante), Sch 1 Pt IV para 4A (added by the Financial Services and Markets Act 2000 (Consequential Amendments and Appeals) Order 2001, SI 2001/3649, art 269 (1), (3)).

9 See note 2 supra.

10 For the meaning of 'relevant state' see para 1020 note 6 ante.

11 Trustee Investments Act 1961 Sch 1 Pt III para 4 (added by the Trustee Investments (Additional Powers) (No 2) Order 1994, SI 1994/1908, art 2(3); repealed with savings: see para 1017 ante).

12 For the meaning of 'mutual investment society' see para 1023 note 46 ante.

13 Trustee Investments Act 1961 Sch 1 Pt III para 5 (added by the Trustee Investments (Additional Powers) (No 2) Order 1994, SI 1994/1908, art 2(3); repealed with savings: see para 1017 ante).

14 Ie within the meaning of the Financial Services and Markets Act 2000 s 237(3): see note 8 supra; and FINANCIAL SERVICES vol 18(1) (Reissue) para 458.

15 Trustee Investments Act 1961 Sch 1 Pt III para 6 (added by the Trustee Investments (Additional Powers) (No 2) Order 1994, SI 1994/1908, art 2(3); substituted by the Financial Services and Markets Act 2000 (Consequential Amendments and Appeals) Order 2001, SI 2001/3649, art 269 (1), (4); repealed with savings: see para 1017 ante).

16 Trustee Investments Act 1961 Sch 1 Pt III para 2A (added by the Open-Ended Investment Companies (Investment Companies with Variable Capital) Regulations 1996, SI 1996/2827, reg 75, Sch 8 para 1; substituted by the Open-Ended Investment Companies Regulations 2001, SI 2001/1228, reg 84, Sch 7 Pt 1 para 1; repealed with savings: see para 1017 ante). The reference in the text is to a company within the meaning of the Open-Ended Investment Companies Regulations 2001, SI 2001/1228 (see FINANCIAL SERVICES vol 18(1) (Reissue) para 478).

1025. Restrictions on wider-range investment. A person having trustee investment powers has no power[1] to make or retain any wider-range investment[2] unless the fund[3] has been divided into two parts ('the narrower-range part' and 'the wider-range part'). The division must normally[4] be made so that the value[5] of the wider-range part at the time of the division bears to the then value of the narrower-range part the proportion of three to one[6]. Where such a division has been made, no subsequent division of the same fund is, with one exception[7], to be made, and no property is to be transferred from one part of the fund to the other unless either the transfer is authorised or required by the statutory provisions relating to trustee investment[8] or a compensating transfer[9] is made at the same time[10].

Property belonging to the narrower-range part of a fund may not[11] be invested except in narrower-range investments[12], and any property invested in any other manner which is or becomes comprised in that part of the fund must either be transferred to the wider-range part of the fund with a compensating transfer or be reinvested in narrower-range investments as soon as may be[13].

Where any property accrues to a fund after the fund has been divided[14], then, if the property accrues to the person having trustee investment powers as owner or former owner of property comprised in either part of the fund, it is to be treated as belonging to that part of the fund[15] and, in any other case, the person having trustee investment powers must secure, by apportionment of the accruing property or the transfer of property from one part of the fund to the other, or both, that the value of each part of the fund is increased by the same[16] amount[17].

Where, in the exercise of any power or duty of a person having trustee investment powers, property falls to be taken out of the fund, nothing in these provisions[18] restricts his discretion as to the choice of property to be taken out[19].

1 Ie under the Trustee Investments Act 1961 s 1 (repealed with savings: see para 1017 ante): see para 1020 ante. As to the substantial repeal of the Trustee Investments Act 1961 in relation to trustees see para 1017 ante.

2 For the meaning of 'wider-range investments' see para 1020 note 5 ante. As to wider-range investments see para 1024 ante.

3 For this purpose, so much of the property in the hands of a person having trustee investment powers constitutes one fund as is held on trusts which, as respects the beneficial owners or their respective interests or the purposes for which the fund is held or as respects the powers of the person having trustee investment powers, are not identical with those on which any other property in his hands is held: Trustee Investments Act 1961 s 4(2). As to the exclusion of special-range property from the fund for this purpose see para 1026 post.

4 For the special provision as to a fund formed by appropriation out of another fund see note 10 infra.

5 If a person having trustee investment powers obtains a valuation in writing of any property from a person reasonably believed by the person having trustee investment powers to be qualified to make it, the valuation is conclusive in determining whether the division of the fund or any transfer or apportionment of property has been duly made (Trustee Investments Act 1961 s 5(1) (repealed with savings: see para 1017 ante)), notwithstanding that it is made by a person in the course of his employment as an officer or servant (s 5(2) (repealed: see supra)).

6 Trustee Investments (Division of Trust Fund) Order 1996, SI 1996/845. This alters the original rule which required equal division. The order was made under the Trustee Investments Act 1961 s 13(1) (repealed with savings: see para 1017 ante), which provides that the Treasury may by order made by statutory instrument direct that, subject to the Trustee Investments Act 1961 s 4(3) (see note 10 infra), any division of a fund is to be made so that the value of the wider-range part at the time of the division bears to the then value of the narrower-range part such proportion greater than one but not greater than three to one, as may be prescribed by the order, the proportion for the time being prescribed being known as 'the prescribed proportion'. Notwithstanding anything contained in s 2(1) (repealed with savings: see para 1017 ante), a fund which has been already divided before the coming into operation of such an order may be again divided (once only) during the continuance in force of the order: s 13(2) (repealed with savings: see para 1017 ante). Such an order may be revoked by a subsequent order prescribing a greater proportion: s 13(4) (repealed with savings: see para 1017 ante). No order made under these provisions has effect unless approved by a resolution of each House of Parliament: s 13(5) (repealed with savings: see para 1017 ante). As to the Treasury see CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) paras 512–517.

7 There is power to make a further division where the Treasury makes an order under ibid s 13 (repealed with savings: see para 1017 ante): see note 6 supra.

8 See ibid ss 2(2), (3), 3(3), Sch 2 para 3 (repealed with savings: see para 1017 ante).

9 For these purposes, 'compensating transfer', in relation to any transferred property, means a transfer in the opposite direction of property of equal value: ibid s 2(1) (prospectively repealed: see note 10 infra).

10 Ibid s 2(1) (repealed with savings: see para 1017 ante). Where property is taken out of a trust fund by way of appropriation so as to form a separate fund and at the time of the appropriation the trust fund had, as to the whole or a part of it, been divided in pursuance of s 2(1) (repealed with savings: see para 1017 ante) or s 2(1) as modified by s 3(3), Sch 2 (repealed with savings: see para 1017 ante), then, if the separate fund is so divided, the narrower-range and wider-range parts of the separate fund may be constituted so as either to be equal, or to bear to each other the same proportion as the two corresponding parts of the fund out of which it was so appropriated (the values of those parts of those funds being ascertained as at the time of appropriation), or some intermediate proportion: s 4(3). Where special-range property has been carried to a separate part of the trust fund (see para 1026 post) and it is then converted into property other than special-range property, the property into which it is converted must be transferred to the narrower-range part of the fund or the wider-range part of the fund or apportioned between them, and any transfer of property from one of those parts to the other which is necessary to secure that the value of each of those parts of the fund is increased by the same amount must be made: Sch 2 para 3 (repealed with savings: see para 1017 ante). On the coming into operation of any Treasury order modifying the provisions as to the division of funds (see note 6 supra), the above provisions relating to separate funds formed by appropriation and to the effect of the conversion of special-range property are modified to the extent that: (1) the narrower-range and wider-range parts of such a separate fund will have to be constituted so as to bear to each other either the prescribed proportion (see note 6 supra) or the same proportion as the corresponding parts of the original fund or some intermediate proportion; and (2) on the transfer to a fund of property into which special-range property has been converted, any transfer from one part of the fund to another will have to be made which is necessary to secure that the value of the wider-range part of the fund is increased by the amount which bears the prescribed proportion to the amount by which the value of the narrower-range part is increased: see s 13(3) (repealed with savings: see para 1017 ante).

11 Ie by virtue of ibid s 1 (repealed with savings: see para 1017 ante): see para 1020 ante.

12 For the meaning of 'narrower-range investments' see para 1020 note 3 ante. As to narrower-range investments see paras 1021–1023 ante.

13 Trustee Investments Act 1961 s 2(2) (repealed with savings: see para 1017 ante). Any property belonging to the narrower-range or wider-range part of a trust fund which is converted into special-range property (see para 1026 post) must be carried to a separate part of the trust fund to be held with any other special-range property: Sch 2 para 2(2)(a) (repealed with savings: see para 1017 ante). For special provision which applies in certain cases where the powers of a trustee to invest or postpone conversion have been conferred or varied by a court order or by or under an enactment see para 1026 post.

14 Ie in pursuance of ibid s 2(1) (repealed with savings: see para 1017 ante).

15 This does not include the case of a dividend or interest becoming part of a fund: ibid s 2(3) (repealed with savings: see para 1017 ante). It does, it seems, include a bonus issue of shares.

16 On the coming into operation of any Treasury order modifying the provisions as to the division of trust funds (see note 6 supra), the requirement will be that the wider-range part of the fund is increased by an amount which bears the prescribed proportion to the amount by which the value of the narrower-range part is increased: see ibid s 13(3) (repealed with savings: see para 1017 ante).

17 Ibid s 2(3) (repealed with savings: see para 1017 ante). Where a person having trustee investment powers acquires property in consideration of a money payment, the acquisition of the property must be treated as investment for this purpose and not as the accrual of property to the fund, notwithstanding that the

amount of the consideration is less than the value of the property acquired (e g under a rights issue of shares): see s 2(3) (repealed with savings: see para 1017 ante). Where any special-range property (see para 1026 post) accrues to a fund after the division of the fund or part of it, it is to be carried to a separate part of the fund to be held with any other special-range property: Sch 2 para 2(2)(b) (repealed with savings: see para 1017 ante).

18 Ie ibid s 2 (repealed with savings: see para 1017 ante).

19 Ibid s 2(4) (repealed with savings: see para 1017 ante).

1026. Special-range property. 'Special-range property' means property, including wider-range but not including narrower-range investments[1], which a person having trustee investment powers is authorised to hold apart from the general statutory provisions relating to the powers of investment of trustees[2] and apart from any special power to invest in authorised investments conferred before 3 August 1961 or under an enactment[3] passed before that date[4].

Where a fund includes special-range property, the provisions relating to the division of funds into a narrower-range part and a wider-range part[5] have effect as if references to the fund were references to so much of it as does not consist of special-range property, and the special-range property must be carried to a separate part of the fund[6].

Where the powers of the person having trustee investment powers to invest or postpone conversion have been conferred or varied:

(1) by an order of the court[7] made within the period of ten years ending with 3 August 1961[8]; or

(2) by any enactment passed within that period or any instrument having effect under an enactment and made within that period, being an enactment or instrument relating specifically to the trusts in question[9]; or

(3) by an enactment contained in a local Act of the same session as the Trustee Investments Act 1961[10],

the provisions relating to special-range property[11] do not apply, but certain special provisions[12] have effect[13].

1 For the meaning of 'narrower-range investment' see para 1020 note 3 ante; and for the meaning of 'wider-range investment' see para 1020 note 5 ante. As to narrower-range investments see paras 1021–1023 ante; and as to wider-range investments see paras 1024–1025 ante.

2 Ie the provisions of the Trustee Investments Act 1961 s 1 (repealed with savings: see para 1017 ante): see para 1020 ante.

3 Ie any such power as is mentioned in ibid s 3(2) (repealed with savings: see para 1017 ante).

4 Ibid s 3(3), Sch 2 para 1 (repealed with savings: see para 1017 ante).

5 See ibid s 2(1) (repealed with savings: see para 1017 ante); and para 1025 ante.

6 Ibid Sch 2 para 2(1) (repealed with savings: see para 1017 ante). As to property which is converted into special-range property see para 1025 note 14 ante; as to special-range property which accrues to a trust fund see para 1025 note 17 ante; and as to the position where special-range property is converted into property other than special-range property see para 1023 ante.

7 As to the court's power to vary investment powers see para 1011 ante.

8 Trustee Investments Act 1961 s 3(4)(a) (repealed with savings: see para 1017 ante). The date referred to in the text is the date of the passing of the Trustee Investments Act 1961.

9 Ibid s 3(4)(b) (repealed with savings: see para 1017 ante).

10 Ibid s 3(4)(c) (repealed with savings: see para 1017 ante).

11 Ie ibid s 3(3), Sch 2 (repealed with savings: see para 1017 ante).

12 Ie ibid s 3(4), Sch 3 (repealed with savings: see para 1017 ante). If property belonging to the narrower-range part of a fund (see para 1021 ante) is invested otherwise than in a narrower-range investment, or being so invested, is retained and not transferred or as soon as may be reinvested as mentioned in s 2(2) (repealed with savings: see para 1017 ante) (see para 1025 ante), then, so long as the property continues so invested and comprised in the narrower-range part of the fund, s 1 (repealed with savings: see para 1017 ante) (see para 1020 ante) does not authorise the making or retention of any wider-range investment: Sch 3 para 1 (repealed with savings: see para 1017 ante). As to the effect on the liability where an investment so ceases to be authorised see Sch 3 para 2 (repealed with savings: see para 1017 ante).

13 Ibid s 3(4) (repealed with savings: see para 1017 ante).

1027. Duty to obtain advice before investing. Before a person having trustee investment powers exercises his statutory power to invest in any of the second group of narrower-range investments[1] or in any wider-range investment[2] or before he invests in any such investment in the exercise of any special power to invest in authorised investments conferred before 3 August 1961 or conferred under any enactment passed before that date[3], he must obtain and consider proper advice[4] on the question whether the investment is satisfactory[5], having regard to the need for diversification of investments of the trust, in so far as is appropriate to the circumstances of the trust, and to the suitability to the trust of investments of the description of investment proposed and of the investment proposed as an investment of that description[6].

A person retaining any investment made in the exercise of such a power and in such a manner as previously mentioned must determine at what intervals the circumstances, and in particular the nature of the investment, make it desirable to obtain advice[7], and must obtain and consider advice accordingly[8].

1 Ie the investments specified in the Trustee Investments Act 1961 s 1, Sch 1 Pt II (paras 1–24) (as amended; repealed with savings: see para 1017 ante): see para 1023 ante. As to the substantial repeal of the Trustee Investments Act 1961 in relation to trustees see para 1017 ante.

2 Ie the investments specified in ibid Sch 1 Pt III (paras 1–6) (as amended; repealed with savings: see para 1017 ante): see para 1024 ante.

3 Ie in the exercise of a power falling within ibid s 3(2) (repealed with savings: see para 1017 ante).

4 For these purposes, 'proper advice' means the advice of a person who is reasonably believed by the person having trustee investment powers to be qualified by his ability in and practical experience of financial matters: ibid s 6(4) (s 6 repealed with savings: see para 1017 ante). This advice may be given by a person notwithstanding that he gives it in the course of his employment as an officer or servant: s 6(4) (repealed with savings: see para 1017 ante). The advice must be given or subsequently confirmed in writing: s 6(5) (repealed with savings). The requirement as to obtaining and considering advice does not apply to one of two or more trustees where he is the person giving the required advice to his co-trustee or co-trustees, or where powers of a trustee are lawfully exercised by an officer or servant competent to give proper advice: s 6(6) (repealed with savings: see para 1017 ante).

5 Ibid s 6(2) (repealed with savings: see para 1017 ante). Without prejudice to the Trustee Act 1925 s 8 (repealed), the advice required does not include, in the case of a loan on the security of freehold or leasehold property in England and Wales or Northern Ireland or on heritable security in Scotland, advice on the suitability of the particular loan: Trustee Investments Act 1961 s 6(7) (repealed with savings: see para 1017 ante).

6 Ibid s 6(1) (repealed with savings: see para 1017 ante).

7 As to the nature of the advice to be taken and the exemption of certain persons from the requirement as to the taking of advice see notes 4, 5 supra.

8 Trustee Investments Act 1961 s 6(3) (repealed with savings: see para 1017 ante).

1028. Investment on mortgage. Power to invest money on mortgage[1] is conferred in those cases in which the statutory power of investment applies and such an investment falls within the narrower-range investments requiring advice[2]. If a person having trustee investment powers is authorised by the instrument to invest in real securities[3], then, subject to any wider authority given by the instrument under which he acts, he may invest on mortgage only if the mortgage will enjoy priority over all others[4], and not on a mortgage of a speculative or insecure description[5] or of a wasting character[6]. A person having trustee investment powers who has power to invest in real securities may not invest on a mortgage of leaseholds, except in so far as he is expressly authorised to do so by the instrument under which he acts or by statute[7]. Subject to any contrary intention expressed in the instrument under which he acts and to the terms of that instrument[8], a person having trustee investment powers who has power to invest in real securities may invest, and is deemed always to have had power to invest, in any charge made under the Improvement of Land Act 1864[9], or in a mortgage of any such charge[10]. A person having trustee investment powers who has power to invest in real securities may accept the security in the form of a charge by way of legal mortgage[11].

Where a person having trustee investment powers has power to invest in real security, a sub-mortgage may be a permissible investment[12], but a stock mortgage[13] is not[14].

In the absence of express power, a person having trustee investment powers who invests in a real security may not join in a contributory mortgage[15]. Persons having trustee investment powers may not lend the fund to one of their number on mortgage[16]. They must invest it themselves, and are not justified in handing money to their solicitor and requesting him to invest it on mortgage[17].

Where, by virtue of the Limitation Act 1980[18], or of an order for foreclosure[19] or otherwise, any property vested in persons having trustee investment powers by way of security becomes discharged from the right of redemption, they hold it in trust: (1) to apply the income from the property in the same manner as interest paid on the mortgage debt would have been applicable; and (2) if the property is sold, to apply the net proceeds of sale, after payment of costs and expenses, in the same manner as repayment of the mortgage debt would have been applicable[20].

1 As to the type of property in mortgages of which investment may be made see para 1023 heads (15), (26) ante.

2 See the Trustee Investments Act 1961 ss 1(1), (4), 6(2), Sch 1 Pt II para 13 (repealed with savings: see para 1017 ante); and para 1023 ante. As to the extent to which the statutory powers of investment are capable of being cut down by the terms of a trust instrument see para 1018 ante. As to the substantial repeal of the Trustee Investments Act 1961 in relation to trustees see para 1017 ante.

3 Where power has been given to invest on real securities, an investment on mortgage of the undertaking, future calls, rates, tolls and sums of money belonging to a railway company and arising under its Act has been held improper, the remedy on the security being unsatisfactory: *Mant v Leith* (1852) 15 Beav 524; *Mortimore v Mortimore* (1859) 4 De G & J 472. As to mortgages to trustees see further MORTGAGE vol 32 (2005 Reissue) para 375 et seq.

4 *Norris v Wright* (1851) 14 Beav 291 at 308 per Romilly MR; *Drosier v Brereton* (1851) 15 Beav 221 at 226; *Webb v Ledsam* (1855) 1 K & J 385 at 387 per Wood V-C; *Lockhart v Reilly* (1857) 1 De G & J 464 at 476 per Lord Cranworth LC; *Hopgood v Parkin* (1870) LR 11 Eq 74; *Swaffield v Nelson* [1876] WN 255 at 256; *Sheffield and South Yorkshire Permanent Building Society v Aizlewood* (1889) 44 ChD 412 at 459 per Stirling J. The dictum of Wright J in *Want v Campain* (1893) 9 TLR 254 that, notwithstanding these authorities, there is no fixed rule that a trustee must never invest on a second mortgage, appears open to question: see *Chapman v Browne* [1902] 1 Ch 785 at 800, CA, per Romer LJ. It seems that a trustee may retain a second mortgage which is part of the original trust property: see *Robinson v Robinson* (1851) 1 De GM & G 247 at 252 per Knight Bruce LJ. It is generally thought that an equitable mortgage is not a proper investment for trustees: *Swaffield v Nelson* supra. As to the priority of mortgages see MORTGAGE vol 32 (2005 Reissue) para 458 et seq.

5 *Wyatt v Sharratt* (1840) 3 Beav 498; *Royds v Royds* (1851) 14 Beav 54; *Budge v Gummow* (1872) 7 Ch App 719; *Smethurst v Hastings* (1885) 30 ChD 490; *Learoyd v Whiteley* (1887) 12 App Cas 727, HL; *Jones v Julian* (1890) 25 LR Ir 45; *Re Walker, Walker v Walker* (1890) 62 LT 449 at 452; *Re Turner, Barker v Ivimey* [1897] 1 Ch 536. Where a trustee is authorised to lend on leasehold property, it is not necessarily improper for him to lend on leasehold property let on weekly tenancies: see *Re Solomon, Nore v Meyer* [1912] 1 Ch 261 (compromised on appeal [1913] 1 Ch 200, CA). A loan of trust money on the security of a judgment is not authorised by a power to invest upon any mortgage of freehold or leasehold estates, or any other real securities: *Johnston v Lloyd* (1844) 7 I Eq R 252.

6 *Learoyd v Whitely* (1887) 12 App Cas 727, HL; *Re Turner, Barker v Ivimey* [1897] 1 Ch 536.

7 *Re Chennell, Jones v Chennell* (1878) 8 ChD 492 at 508–509, CA. See also *Re Boyd's Settled Estates* (1880) 14 ChD 626; *Leigh v Leigh* (1886) 35 WR 121. A possible exception to this rule exists in the case of leaseholds held at a peppercorn rent for a long term: *Re Chennell, Jones v Chennell* supra at 507; *Re Boyd's Settled Estates* supra. The statutory power to invest trust money on mortgage extends to a mortgage of leasehold property of which the unexpired term is not less than 60 years: see para 1023 head (15) ante.

8 See the Trustee Act 1925 s 69(2); and para 603 ante.

9 See AGRICULTURE AND FISHERIES vol 1(2) (2007 Reissue) para 324 et seq.

10 Trustee Act 1925 s 5(1)(b) (repealed with savings: see para 1017 ante).

11 See ibid s 5(2) (repealed with savings: see para 1017 ante).

12 *Smethurst v Hastings* (1885) 30 ChD 490.

13 Ie a mortgage where the loan is of government stock or its proceeds, and the repayment is to be by retransfer of stock.

14 *Pell v De Winton* (1857) 2 De G & J 13; *Whitney v Smith* (1869) 4 Ch App 513 at 521; *Bromley v Kelly* (1870) 39 LJ Ch 274.

15 *Webb v Jonas* (1888) 39 ChD 660; *Re Massingberd's Settlement, Clark v Trelawney* (1890) 63 LT 296, CA; *Stokes v Prance* [1898] 1 Ch 212 at 223–224; *Re Dive, Dive v Roebuck* [1909] 1 Ch 328 at 341–342. In *Re Godfrey, Godfrey v Faulkner* (1883) 23 ChD 483, the contributory mortgage was expressly authorised by the trust deed. In *Re Walker, Walker v Walker* (1890) 59 LJ Ch 386 at 389, Kekewich J expressed the opinion that there was not so strong an objection to a contributory investment when there was the same set of trustees for different children and grandchildren as when there was a contributory mortgage in the names of two different sets of trustees claiming under different instruments, as was the case in *Webb v Jonas* supra. In *Jones v Julian* (1890) 25 LR Ir 45 and in *Re Turner, Barker v Ivimey* [1897] 1 Ch 536, the fact that the security was an undivided share, and thus the trustees' control of it was less, was one of the considerations which induced the court to hold the investment to be a breach of trust. An express power to invest on a contributory mortgage is not infrequently to be met with.

16 *Stickney v Sewell* (1835) 1 My & Cr 8 at 14–15; *Francis v Francis* (1854) 5 De GM & G 108; *Fletcher v Green* (1864) 33 Beav 426.

17 *Rowland v Witherden* (1851) 3 Mac & G 568; *Re Dewar, Dewar v Brooke* (1885) 54 LJ Ch 830.

18 See the Limitation Act 1980 s 16; and LIMITATION OF ACTIONS vol 28 (Reissue) para 1026 et seq.

19 See MORTGAGE vol 32 (2005 Reissue) para 767 et seq.

20 Law of Property Act 1925 s 31(1) (amended by the Trusts of Land and Appointment of Trustees Act 1996 s 5, Sch 2 para 1(1), (2)). This is without prejudice to any rule of law relating to the apportionment of capital and income between tenant for life and remainderman: see the Law of Property Act 1925 s 31(2) (amended by the Trusts of Land and Appointment of Trustees Act 1996 Sch 2 para 1(1), (3)). As to the execution of a subsidiary vesting deed where the mortgage money is capital money for the purposes of the settled land legislation see the Law of Property Act 1925 s 31(4) (substituted by the Trusts of Land and Appointment of Trustees Act 1996 Sch 2 para 1(1), (5)); and SETTLEMENTS vol 42 (Reissue) para 701. The Law of Property Act 1925 s 31 (as amended) applies whether the right of redemption was discharged before, on or after 1 January 1912 (i e the date when the Conveyancing Act 1911 s 9 (repealed) came into operation), but without prejudice to any dealings or arrangements made before that date: Law of Property Act 1925 s 31(5).

1029. Duty to investigate mortgagor's title before lending. A person having trustee investment powers who invests on mortgage must reasonably satisfy himself that the mortgagor can give a good title to the property[1]. However, he is not chargeable with breach of trust only on the ground that he has accepted a shorter title than that which, in the absence of a special contract, a purchaser is entitled to require[2], if in the opinion of the court the title accepted is such as a person acting with prudence and caution would have accepted[3]. Similarly, where he properly lends money on the security of leasehold property, he is not chargeable with breach of trust only on the ground that in making the loan he dispensed either wholly or partly with the production or investigation of the lessor's title[4].

1 *Waring v Waring* (1852) 3 I Ch R 331 at 336 per Blackburne LC. A trustee may employ a solicitor to investigate title (see *Learoyd v Whiteley* (1887) 12 App Cas 727 at 734, HL; *Blyth v Fladgate, Morgan v Blyth, Smith v Blyth* [1891] 1 Ch 337 at 360), but, if he employs the solicitor who is acting for the mortgagor, he must take additional precautions (*Waring v Waring* supra; *Sutton v Wilders* (1871) LR 12 Eq 373 at 377 per Lord Romilly MR).

2 See SALE OF LAND vol 42 (Reissue) para 145.

3 See the Trustee Act 1925 s 8(3), (4) (repealed). Transitional provisions in the Trustee Act 2000 provide that the repeal of the Trustee Act 1925 s 8 does not affect its operation in relation to loans or investments made before 1 February 2001: Trustee Act 2000 s 40(2), Sch 3 para 2.

4 See the Trustee Act 1925 s 8(2), (4) (repealed). As to transitional provisions see note 3 supra. See also para 1016 ante.

1030. Duty to obtain report as to value before lending. As a general rule, where a person having trustee investment powers proposes to lend on the security of any property, he should obtain a report as to the value of the property from an independent surveyor or valuer before making the loan, and he should ensure that the amount lent is safely within the valuation[1].

1 See *Shaw v Cates* [1909] 1 Ch 389. Trustees should not be content with an out-of-date valuation: *Macleod v Annesley* (1853) 16 Beav 600; *Re Godfrey, Godfrey v Faulkner* (1883) 23 ChD 483. If trustees do not employ a local valuer, they must show circumstances to explain their selection: *Budge v Gummow* (1872)

7 Ch App 719. The Trustee Act 1925 ss 8, 9 were repealed on 1 February 2001 and consequently the limitation on liability for an excessive advance and the protection from liability for loans complying with certain conditions provided by those provisions is no longer available for loans made on or after that date. However, the repeals do not affect loans or investments made before that date: see the Trustee Act 2000 s 40(2), Sch 3 para 3; and see paras 1016, 1029 ante.

1031. Consent and discretion as to investment. The statutory powers of investment[1] must be exercised according to the discretion of the person exercising trustee investment powers, but subject to any consent or direction required by the instrument, if any, creating the power or by statute with respect to the investment of the funds[2].

A person exercising trustee investment powers must exercise caution and not make an investment which in the circumstances it would be imprudent to make[3]. In making the investment he should take care that the income as well as the capital is properly secured[4].

Where the persons exercising trustee investment powers have a controlling interest in a company, they must ensure that they or one of them will receive an adequate flow of information in time to enable them to make use of their controlling shareholding should this be necessary for the protection of that shareholding[5]. It may thus be convenient for the persons exercising trustee investment powers to have one of their number or a nominee on the board of directors[6]. It may, however, suffice for the persons exercising trustee investment powers to receive copies of the agenda, minutes of board meetings and monthly management accounts[7]. It will not suffice if they merely receive as much information as an ordinary shareholder receives, and no more[8].

1 Ie the powers conferred by the Trustee Investments Act 1961 s 1 (repealed with savings: see para 1017 ante), Sch 1 (as amended; repealed with savings: see para 1017 ante): see para 1020 et seq ante.

As to the substantial repeal of the Trustee Investments Act 1961 in relation to trustees see para 1017 ante.

2 Trustee Act 1925 s 3 (repealed). See also para 1007 ante.

3 *Re Whiteley, Whiteley v Learoyd* (1886) 33 ChD 347 at 350, CA, per Cotton LJ, and at 358 per Lopes LJ (affd sub nom *Learoyd v Whiteley* (1887) 12 App Cas 727 at 732 et seq, HL); *Hutton v Annan* [1898] AC 289, HL; *Re Gladwin's Trust* [1919] 1 Ch 232; *Nestle v National Westminster Bank plc* [1994] 1 All ER 118, [1993] 1 WLR 1260, CA.

A trustee must not invest on mortgage merely to accommodate the mortgagor, whether a beneficiary or not, where it is of no advantage to the trust estate: *Whitney v Smith* (1869) 4 Ch App 513 at 519; *Re Walker, Walker v Walker* (1890) 62 LT 449.

As to whether in investing on mortgage a trustee may have regard to the mortgagor's solvency at the time see *Re Somerset, Somerset v Earl Poulett* [1894] 1 Ch 231 at 247–248 per Kekewich J.

4 *Re Somerset, Somerset v Earl Poulett* [1894] 1 Ch 231 at 247 per Kekewich J.

5 *Bartlett v Barclays Bank Trust Co Ltd* [1980] Ch 515 at 533, [1980] 1 All ER 139 at 151 per Brightman J.

6 *Re Lucking's Will Trusts, Renwick v Lucking* [1967] 3 All ER 726, [1968] 1 WLR 866.

7 *Re Miller's Deed Trusts* [1978] LS Gaz R 454; *Bartlett v Barclays Bank Trust Co Ltd* [1980] Ch 515, [1980] 1 All ER 139.

8 *Bartlett v Barclays Bank Trust Co Ltd* [1980] Ch 515, [1980] 1 All ER 139.

1032. Retainer of authorised investment. A person having trustee investment powers may exercise those powers by retaining authorised investments which form part of the original trust fund, unless in the circumstances it is imprudent for him to do so[1].

1 *Ames v Parkinson* (1844) 7 Beav 379; *Robinson v Robinson* (1851) 1 De GM & G 247 at 262–263; *Re Chapman, Cocks v Chapman* [1896] 2 Ch 763, CA; *Rawsthorne v Rowley* [1909] 1 Ch 409n, (1907) 24 TLR 51, CA; *Re Godwin's Settlement, Godwin v Godwin* (1918) 87 LJ Ch 645. As to the statutory powers of investment under the Trustee Act 2000 see para 1012 et seq post.

(iv) Powers as to Land

A. IN GENERAL

1033. Sources of powers. Trustees may have powers in relation to land:

(1) as being trustees of land[1];
(2) as being the trustees of a settlement within the Settled Land Act 1925, in which case their functions are mainly consensual or supervisory[2];
(3) as having become statutory owners, in which case they perform the functions of a tenant for life under the Settled Land Act 1925 until the appearance of such a tenant for life or the termination of the settlement[3];
(4) as having been expressly appointed or become trustees of the settlement for the purposes of the provisions of the Settled Land Act 1925 relating to the management of land during a minority or pending a contingency, in which case they may enter into possession of the settled land and exercise over it the powers of management conferred by statute[4];
(5) as being trustees under a deed of arrangement, in which case, although they will normally be trustees of the land comprised in the deed, they may have only a power of sale over it[5];
(6) as being trustees of a portions term[6], in which case their rights must be enforced against the estate owner[7].

Trustees also have powers in relation to land under the Trustee Act 2000[8].

1 See para 1035 post. A trustee of land is a trustee of a trust of land: Trusts of Land and Appointment of Trustees Act 1996 s 1(1)(b). For the meaning of 'trust of land' see para 605 note 5 ante.
2 See SETTLEMENTS vol 42 (Reissue) paras 750 et seq, 788 et seq. With limited exceptions, it is no longer possible to create new settlements under the Settled Land Act 1925: see the Trusts of Land and Appointment of Trustees Act 1996 s 2; and para 601 note 6 ante. See also para 724 ante.
3 See SETTLEMENTS vol 42 (Reissue) para 766.
4 See the Settled Land Act 1925 s 102 (as amended); and SETTLEMENTS vol 42 (Reissue) paras 758, 766. See also CHILDREN AND YOUNG PERSONS.
5 As to deeds of arrangement generally see BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 859 et seq.
6 See SETTLEMENTS vol 42 (Reissue) para 727 et seq.
7 See the Settled Land Act 1925 s 16; and SETTLEMENTS vol 42 (Reissue) para 767.
8 See para 1034 post.

1034. Power to acquire land under the Trustee Act 2000. The Trustee Act 2000[1] provides that a trustee[2] may acquire freehold or leasehold land[3] in the United Kingdom[4]:

(1) as an investment[5];
(2) for occupation by a beneficiary[6];
(3) for any other reason[7].

For the purpose of exercising his functions as a trustee, a trustee who acquires land under these provisions has all the powers of an absolute owner in relation to the land[8]. Thus, for example, a trustee has powers of sale and leasing, and power to grant mortgages in respect of the land[9].

The powers conferred by these provisions[10] are in addition to powers otherwise conferred on trustees, but are subject to any restriction or exclusion imposed by the trust instrument or by any enactment or any provision of subordinate legislation[11].

The statutory duty of care applies to a trustee exercising these powers[12].

1 Ie the Trustee Act 2000 Pt III (ss 8–10). Part III does not apply in relation to a trust of property which (despite the Trusts of Land and Appointment of Trustees Act 1996 s 2: see para 724 ante) consists of or includes settled land, or to a trust to which the Universities and College Estates Act 1925 (see EDUCATION vol 15(2) (2006 Reissue) para 1379) applies: Trustee Act 2000 s 10(1). For the meaning of 'settled land' see para 991 note 2 ante. Subject to s 10(1), Pt III applies in relation to trusts whether created before or after its commencement: s 10(2). The powers conferred by Pt III are in addition to powers conferred on trustees otherwise than by Pt III, but are subject to any restriction or exclusion imposed by the trust instrument or by any statutory provision: s 9.

The Trusts of Land and Appointment of Trustees Act 1996 s 6 was amended in effect to incorporate the provisions of the Trustee Act 2000 s 8: see para 1035 post.

2 Ibid Pt III does not apply to trustees of authorised unit trusts (s 37(1)) or to trustees managing a fund under a common investment scheme made, or having effect as if made, under the Charities Act 1993 s 24 (see CHARITIES vol 5(2) (2001 Reissue) para 366) (other than such a fund the trusts of which provide that property is not to be transferred to the fund except by or on behalf of a charity the trustees of which are the trustees appointed to manage the fund) or to trustees managing a fund under a common deposit scheme made, or having effect as if made, under s 25 (see CHARITIES vol 5(2) (2001 Reissue) para 367): Trustee Act 2000 s 38. For the meaning of 'authorised unit trust' see para 988 note 2 ante. Nothing in Pt III applies to the trustees of any pension scheme: see s 36(3). For the meaning of 'pension scheme' see para 949 note 1 ante.
3 'Freehold or leasehold land' means: (1) in relation to England and Wales, a legal estate in land; (2) in relation to Northern Ireland, a legal estate in land, including land held under a fee farm grant: see ibid s 8(2).
4 For the meaning of 'United Kingdom' see para 767 note 17 ante.
5 Trustee Act 2000 s 8(1)(a).
6 Ibid s 8(1)(b).
7 Ibid s 8(1)(c).
8 Ibid s 8(3).
9 For the power to raise money by sale or mortgage see para 1055 post.
10 Ie the Trustee Act 2000 Pt III.
11 Ibid s 9(a).
12 See ibid ss 1, 2, Sch 1 para 2; and para 950 ante. As to the statutory duty of care see para 949 ante.

1035. Powers of trustees of land. For the purpose of exercising their functions as trustees, the trustees of land[1] have in relation to the land subject to the trust all the powers of an absolute owner[2]. Where in the case of any land subject to a trust of land[3] each of the beneficiaries[4] interested in the land is a person of full age and capacity who is absolutely entitled to the land, the powers conferred on the trustees[5] include the power to convey the land to the beneficiaries even though they have not required the trustees to do so[6]. Where land is conveyed by virtue of these provisions, the beneficiaries must do whatever is necessary to secure that it vests in them[7]; and, if they fail to do so, the court may make an order requiring them to do so[8].

The trustees of land have power to acquire freehold or leasehold land[9] in the United Kingdom[10].

In exercising any powers conferred by these provisions, trustees must have regard to the rights of the beneficiaries[11]. Such powers must not be exercised in contravention of any other enactment or any rule of law or equity, or of any order made in pursuance of such an enactment or rule[12]. Where any enactment other than these provisions confers on trustees authority to act subject to any restriction, limitation or condition, trustees of land may not exercise the powers conferred by these provisions to do any act which they are prevented from doing under the other enactment by reason of the restriction, limitation or condition[13].

These provisions[14] do not apply in the case of a trust of land created by a disposition in so far as provision to the effect that they do not apply is made by the disposition[15]. If the disposition creating such a trust makes provision requiring any consent to be obtained to the exercise of any general power[16] or the power of partition[17], the power may not be exercised without that consent[18]. Where the powers of trustees of land are limited[19], the trustees must take all reasonable steps to bring the limitation to the notice of any purchaser of the land from them, but the limitation does not invalidate any conveyance by the trustees to a purchaser who has no actual notice of the limitation[20].

Where trustees of land convey land which (immediately before it is conveyed) is subject to the trust to persons believed by them to be beneficiaries absolutely entitled to the land under the trust and of full age and capacity, the trustees must execute a deed declaring that they are discharged from the trust in relation to that land; and, if they fail to do so, the court may make an order requiring them to do so[21].

These provisions apply, with appropriate modifications, to personal representatives[22].

1 For the meaning of 'trustees of land' see para 724 note 7 ante.
2 Trusts of Land and Appointment of Trustees Act 1996 s 6(1). The statutory duty of care under the Trustee Act 2000 s 1 (see para 949 ante) applies to trustees of land when exercising the powers conferred by the Trusts of Land and Appointment of Trustees Act 1996 s 6: see s 6(9) (added by the Trustee Act 2000 s 40(1), Sch 2 Pt II para 45).
3 For the meaning of 'trust of land' see para 605 note 5 ante.
4 For the meaning of 'beneficiary' see para 739 note 1 ante.
5 Ie by the Trusts of Land and Appointment of Trustees Act 1996 s 6(1) (see the text and notes 1–2 supra).
6 Ibid s 6(2).
7 Ibid s 6(2)(a).
8 Ibid s 6(2)(b).
9 Ie the power to acquire land under the Trustee Act 2000 s 8 (see para 1034 ante).
10 Trusts of Land and Appointment of Trustees Act 1996 s 6(3) (amended by the Trustee Act 2000 s 40(1), Sch 2 Pt II para 45(1)).
11 Trusts of Land and Appointment of Trustees Act 1996 s 6(5). A purchaser of land which is or has been subject to a trust need not be concerned to see that any requirement imposed on the trustees by s 6(5) has been complied with (s 16(1)), but this does not apply to registered land (s 16(7)). 'Purchaser' has the same meaning as in the Law of Property Act 1925 Pt I (ss 1–39) (as amended) (see SALE OF LAND vol 42 (Reissue) para 55): Trusts of Land and Appointment of Trustees Act 1996 s 23(1).
12 Ibid s 6(6). The reference to an order in s 6(6) includes an order of any court or of the Charity Commission: s 6(7) (amended by the Charities Act 2006 s 75(1), Sch 8 para 182). As to the Charity Commission see CHARITIES.

Where trustees of land who convey land, which (immediately before it is conveyed) is subject to the trust, contravene the Trusts of Land and Appointment of Trustees Act 1996 s 6(6) or s 6(8) (see the text and note 13 infra), but the purchaser of the land from the trustees has no actual notice of the contravention, the contravention does not invalidate the conveyance: s 16(2). This does not apply to land held on charitable, ecclesiastical or public trusts or to registered land: see s 16(6), (7).

13 Ibid s 6(8).
14 Ie ibid s 6 (as amended) (see the text and notes 1–13 supra).
15 Ibid s 8(1). This does not apply in the case of charitable, ecclesiastical or public trusts (see s 8(3)), and has effect subject to any enactment which prohibits or restricts the effect of provision of the description mentioned in s 8(1) (see s 8(4)).
16 Ie any power conferred by ibid s 6 (as amended) (see the text and notes 1–13 supra).
17 Ie any power conferred by ibid s 7 (see para 1046 post).
18 Ibid s 8(2). This has effect subject to any enactment which prohibits or restricts the effect of provision of the description mentioned in s 8(2): see s 8(4).
19 Ie by virtue of ibid s 8 (see the text and notes 14–18 supra).
20 Ibid s 16(3). This does not apply to land held on charitable, ecclesiastical or public trusts or to registered land: s 16(6), (7).
21 Ibid s 16(4). A purchaser of land to which a deed under s 16(4) relates is entitled to assume that, as from the date of the deed, the land is not subject to the trust unless he has actual notice that the trustees were mistaken in their belief that the land was conveyed to beneficiaries absolutely entitled to the land under the trust and of full age and capacity: s 16(5). The provisions of s 16(4), (5) do not apply to registered land: s 16(7).
22 See ibid s 18.

1036. Necessity for obtaining requisite consent and consulting beneficiaries. If a disposition creating a trust of land[1] requires the consent of more than two persons to the exercise by the trustees of any function relating to the land, the consent of any two of them to the exercise of the function is sufficient in favour of a purchaser[2]. Where at any time a person whose consent is expressed by a disposition creating a trust of land to be required to the exercise by the trustees of any function relating to the land is not of full age his consent is not, in favour of a purchaser, required to the exercise of the function, but the trustees must obtain the consent of a parent who has parental responsibility for him[3] or of a guardian of his[4].

The trustees of land must in the exercise of any function relating to land subject to the trust, so far as practicable, consult the beneficiaries[5] of full age and beneficially entitled to an interest in possession[6] in the land, and, so far as consistent with the general

interest of the trust, give effect to the wishes of those beneficiaries, or (in case of dispute) of the majority (according to the value of their combined interests)[7].

1 For the meaning of 'trust of land' see para 605 note 5 ante.

2 Trusts of Land and Appointment of Trustees Act 1996 s 10(1). This does not apply to the exercise of a function by trustees of land held on charitable, ecclesiastical or public trusts: s 10(2).

3 Ie within the meaning of the Children Act 1989: see CHILDREN AND YOUNG PERSONS.

4 Trusts of Land and Appointment of Trustees Act 1996 s 10(3).

5 For the meaning of 'beneficiary' see para 739 note 1 ante.

6 Even where the beneficiaries do not have an interest in possession so that the Trusts of Land and Appointment of Trustees Act 1996 s 11 does not apply, it may be appropriate for them to consider suggestions made by the beneficiaries and take them into account to the extent appropriate: see *X v A* [2000] 1 All ER 490 at 496 per Arden J; *Re Pauling's Settlement Trust, Younghusband v Coutts & Co (No 2)* [1963] Ch 576 at 586, [1963] 1 All ER 857 at 863 per Wilberforce J.

7 Trusts of Land and Appointment of Trustees Act 1996 s 11(1). Section 11(1) does not apply: (1) in relation to a trust created by a disposition in so far as provision that it does not apply is made by the disposition; (2) in relation to a trust created or arising under a will made before 1 January 1997; or (3) in relation to the exercise of the power mentioned in s 6(2) (see para 1035 ante) (see s 11(2)); and nor does it apply to a trust created before that date by a disposition, or a trust created after that date by reference to such a trust, unless provision to the effect that it is to apply is made by a deed executed, in a case in which the trust was created by one person and he is of full capacity, by that person or, in a case in which the trust was created by more than one person, by such of the persons who created the trust as are alive and of full capacity (see s 11(3)). A deed executed for the purposes of s 11(3) is irrevocable: s 11(4).

A purchaser of land which is or has been subject to a trust need not be concerned to see that any requirement imposed on the trustees by s 11(1) has been complied with (s 16(1)), but this does not apply to registered land (s 16(7)).

There is nothing in the Trusts of Land and Appointment of Trustees Act 1996 nor in the Law Commission Report *Transfer of Land: Trusts of Land* (Law Com no 181) (1989) to suggest that the Trusts of Land and Appointment of Trustees Act 1996 s 11(1) was intended to have a wider or different effect than the Law of Property Act 1925 s 26(3) (which it replaced): see *Notting Hill Housing Trust v Brackley* [2001] EWCA Civ 601 at [15], [2001] All ER (D) 164 (Apr) at [15] per Peter Gibson LJ. The court therefore followed *Crawley Borough Council v Ure* [1996] QB 13, [1996] 1 All ER 724, CA, and *Hammersmith and Fulham Borough Council v Monk* [1992] 1 AC 478, [1992] 1 All ER 1, HL, in finding that a joint tenant of a periodic joint tenancy of a flat did not need to consult the other before terminating the periodic tenancy as failing to renew a periodic tenancy is not a positive act.

1037. Power to concur with others. Where an undivided share in any property is subject to a trust, then, without prejudice to the trust affecting the entirety of the land and the powers of the trustees in reference to it, the trustees may execute or exercise any duty or power vested in them in relation to that share in conjunction with the persons entitled to or having power in that behalf over the other share or shares, and notwithstanding that any one or more of the trustees may be entitled to or interested in any such other share, either in his or their own right or in a fiduciary capacity[1].

1 Trustee Act 1925 s 24 (amended by the Trusts of Land and Appointment of Trustees Act 1996 s 25(1), Sch 3 para 3(6)). As to undivided shares see further REAL PROPERTY vol 39(2) (Reissue) para 207 et seq.

1038. Powers of court in relation to trusts of land. Any person who is a trustee of land[1] or has an interest in property subject to a trust of land[2] may make an application to the court under the Trusts of Land and Appointment of Trustees Act 1996[3]. On an application the court may make any such order relating to the exercise by the trustees of any of their functions[4], or declaring the nature or extent of a person's interest in property subject to the trust, as the court thinks fit[5]. These provisions also apply in relation to a trust of proceeds of sale of land and trustees of such a trust[6].

In determining an application for such an order the matters to which the court must have regard include[7]: (1) the intentions of the person or persons (if any) who created the trust[8]; (2) the purposes for which the property subject to the trust is held[9]; (3) the

welfare of any minor who occupies or might reasonably be expected to occupy any land subject to the trust as his home[10]; and (4) the interests of any secured creditor[11] of any beneficiary[12].

1 For the meaning of 'trustees of land' see para 724 note 7 ante.

2 For the meaning of 'trust of land' see para 605 note 5 ante.

3 Trusts of Land and Appointment of Trustees Act 1996 s 14(1). The powers conferred on the court by s 14 are exercisable on an application whether it is made before or after the commencement of the Act (i e 1 January 1997): s 14(4).

4 Ie including an order relieving them of any obligation to obtain the consent, or to consult, any person in connection with the exercise of any of their functions: see ibid s 14(2). Many applications for orders under s 14 are by secured chargees seeking an order for sale. Authorities decided on the previous legislation (i e the Law of Property Act 1925 s 30 (repealed)) should be treated with caution: *Mortgage Corpn Ltd v Shaire, Mortgage Corpn Ltd v Lewis Silkin* [2001] Ch 743 at 761, [2001] 4 All ER 364 at 380 per Neuberger (disagreeing with Judge Wroath in *TSB Bank plc v Marshall, Marshall and Rodgers* [1998] 2 FLR 769 at 771–772). The Trusts of Land and Appointment of Trustees Act 1996 has given scope for some change in the court's practice: see *Bank of Ireland Home Mortgages Limited v Bell* [2001] 2 All ER (Comm) 920, [2001] 3 FCR 134 at 142 per Peter Gibson LJ.

5 Trusts of Land and Appointment of Trustees Act 1996 s 14(2). The court may not, however, make an order under s 14 as to the appointment or removal of trustees: s 14(3). As to the appointment or removal of trustees see paras 804 et seq, 898 et seq ante. See *Smith v Smith and Smith* (1975) 120 Sol Jo 100 (decided under earlier similar provisions).

The county court has jurisdiction under the Trusts of Land and Appointment of Trustees Act 1996 s 14, whatever the amount involved, and whatever the value of any fund or asset connected with the proceedings: High Court and County Court Jurisdiction Order 1991, SI 1991/724, art 2(1)(p) (amended by SI 1996/3141). Furthermore, an application under the Trusts of Land and Appointment of Trustees Act 1996 may be dealt with and disposed of by a district judge: CPR 2.4; *Practice Direction—Allocation of Cases to Levels of Judiciary* (1999) PD 2B. See also *Practice Direction* [1999] 3 All ER 192, [1999] 1 WLR 1128.

6 Trusts of Land and Appointment of Trustees Act 1996 s 17(2).

7 The use of the word 'include' indicates that the matters specifically referred to are not exclusive, and that all other relevant matters should be taken into account: *TSB Bank plc v Marshall, Marshall and Rodgers* [1998] 2 FLR 769, [1998] Fam Law 596. See also *Mortgage Corpn Ltd v Shaire, Mortgage Corp Ltd v Lewis Silkin* [2001] Ch 743, [2001] 4 All ER 364.

8 Trusts of Land and Appointment of Trustees Act 1996 s 15(1)(a). See also *Olszanecki v Hillocks* [2002] EWHC 1997 (Ch) at [50], [2004] WTLR 975 at [50] per Deputy Judge Oliver QC.

9 Trusts of Land and Appointment of Trustees Act 1996 s 15(1)(b). See also *Olszanecki v Hillocks* [2002] EWHC 1997 (Ch) at [50], [2004] WTLR 975 at [50] per Deputy Judge Oliver QC.

10 Trusts of Land and Appointment of Trustees Act 1996 s 15(1)(c). See also *Edwards v Lloyds TSB Bank plc* [2004] EWHC 1745 (Ch), [2005] 1 FCR 139; *Telecom Plus plc v Hatch* [2005] EWHC 1523 (Ch), [2005] All ER (D) 295 (Apr). It is for the person who resists an order for sale in reliance on the Trusts of Land and Appointment of Trustees Act 1996 s 15(1)(c) to adduce the relevant evidence: *First National Bank v Achampong* [2003] EWCA Civ 487 at [65], [2004] 1 FCR 18 at [65] per Blackburne LJ.

11 A powerful consideration is and ought to be whether the creditor is receiving proper recompense for being kept out of his money: *Bank of Ireland Home Mortgages Ltd v Bell* [2001] 2 All ER (Comm) 920 at [31], [2001] 3 FCR 134 at [31] per Peter Gibson LJ (citing *Mortgage Corpn Ltd v Shaire, Mortgage Corpn Ltd v Lewis Silkin* [2001] Ch 743, [2001] 4 All ER 364). For the meaning of 'beneficiary' see para 739 note 1 ante.

12 Trusts of Land and Appointment of Trustees Act 1996 s 15(1)(d). In the case of an application relating to the exercise in relation to any land of the powers conferred on the trustees by s 13 (see para 739 ante), the matters to which the court is to have regard also include the circumstances and wishes of each of the beneficiaries who is (or apart from any previous exercise by the trustees of those powers would be) entitled to occupy the land under s 12 (see para 739 ante): s 15(2). See further *Murphy v Gooch* [2007] EWCA Civ 603, [2007] All ER (D) 350 (June). In the case of any other application (other than one relating to the exercise of the power mentioned in the Trusts of Land and Appointment of Trustees Act 1996 s 6(2) (see para 1035 ante)), the matters to which the court is to have regard also include the circumstances and wishes of any beneficiaries of full age and entitled to an interest in possession in property subject to the trust or (in case of dispute) of the majority (according to the value of their combined interests): s 15(3). See further *Mortgage Corpn Ltd v Shaire, Mortgage Corp Ltd v Lewis Silkin* [2001] Ch 743 at 761, [2001] 4 All ER 364 at 381 per Neuberger J. There are special provisions on an application for the sale of land by a trustee of a bankrupt's estate: see the Insolvency Act 1986 s 335(A) (as added and amended); and MORTGAGE vol 32 (2005 Reissue) para 824. Where those special provisions

apply, the Trusts of Land and Appointment of Trustees Act 1996 s 15 does not apply to an application: s 15(4). See *Judd v Brown* [1999] Fam Law 523, 79 P & CR 491, CA.

B. POWERS AS TO LEASES

1039. Duty to let. It is the duty of a trustee of farming land to let the land at a sufficient rent and to ensure that it is kept in a good state of cultivation[1]. A trustee may not concur with the owner of adjoining property in letting the trust property and the adjoining property together at one rent[2].

1 *Earl of Egmont v Smith* (1877) 6 ChD 469 at 475–476 per Jessel MR. Where the instrument creating the trust contains powers of leasing, its terms must be strictly adhered to: *Bowes v East London Water Works Co* (1821) Jac 324.

2 *Tolson v Sheard* (1877) 5 ChD 19, CA (mining leases).

1040. Power to renew leases. Since 31 December 1925 perpetually renewable leases and underleases have been abolished[1]. Leases and underleases may, however, still contain a provision for the renewal for a term not exceeding 60 years from the termination of the lease or underlease[2]. If such renewable leaseholds are vested in trustees, they may, and, if the trust instrument contains an imperative trust for renewal, they must, effect the renewal[3].

1 See LANDLORD AND TENANT vol 27(1) (2006 Reissue) para 541.

2 See the Law of Property Act 1922 s 145, Sch 15 para 7(2); and see LANDLORD AND TENANT vol 27(1) (2006 Reissue) para 140. As to renewable leaseholds see LANDLORD AND TENANT vol 27(1) (2006 Reissue) paras 538–542; SETTLEMENTS vol 42 (Reissue) paras 975–980.

3 See SETTLEMENTS vol 42 (Reissue) para 975.

C. POWERS OF SALE AND PARTITION

1041. Exercise of trust or power to sell. Where a trustee holds the trust property on trust for sale, or exercises a power of sale contained in the instrument creating the trust[1] or conferred by statute[2] he must endeavour to sell the property to the best advantage[3], and must not offer it for sale in a way calculated to depreciate its value or prejudice the sale[4]. He must ascertain the estimated value of the property, and, unless he is bound to sell in all events, may not sell at an undervalue[5]. If a trustee acts in good faith, the court does not interfere with his discretion as to the time and mode of sale[6]. A settlor may relieve trustees from liability for loss arising from a decision not to sell[7]. If the trust or power of sale is to arise on the death of a beneficiary for life, it cannot be exercised previously even with his concurrence[8]. It may subsist, for the purposes of division, after all the beneficiaries have become entitled in possession[9].

No purchaser paying money on a sale or mortgage purporting to be made under any trust or power vested in trustees is to be concerned to see that such money is wanted or that no more than is wanted is raised or otherwise to its application[10].

1 A limitation of time within which the power is to be exercised is merely directory, and a subsequent exercise of it is not invalid: *Buxton v Buxton* (1835) 1 My & Cr 80; *Pearce v Gardner* (1852) 10 Hare 287; *Cuff v Hall* (1855) 1 Jur NS 972; *Edwards v Edmunds* (1876) 34 LT 522 at 524 per Hall V-C. As to selling property which the trustee had no authority to purchase see *Re Patten and Edmonton Union Poor Guardians* (1883) 52 LJ Ch 787; *Power v Banks* [1901] 2 Ch 487 at 496 per Cozens-Hardy J; *Re Jenkins and HE Randall & Co's Contract* [1903] 2 Ch 362. As to selling with the concurrence of beneficiaries where there is no power of sale see *Re Baker and Selmon's Contract* [1907] 1 Ch 238. As to when the power is at an end see *Trower v Knightley* (1821) 6 Madd 134; *Re Douglas and Powell's Contract* [1902] 2 Ch 296; *Re Gordon and Adam's Contract, Re Pritchard's Settled Estate* [1914] 1 Ch 110, CA. As to the invalidity of powers of sale arising beyond the perpetuity period see PERPETUITIES AND ACCUMULATIONS vol 35 (Reissue) para 1034; as to the extinguishment and suspension of powers generally see POWERS vol 36(2) (Reissue) para 977 et seq; and as to the sale of Scottish land held under an English trust see

Campbell-Wyndham-Long's Trustees, Petitioners 1951 SC 685, 1952 SLT 43, Ct of Sess. As to the inability of trustees to purchase from themselves see para 938 et seq ante. A trust for sale of land is now subsumed under a trust of land: see the Trusts of Land and Appointment of Trustees Act 1996 ss 1, 4, 5; para 605 note 5 ante; and REAL PROPERTY vol 39(2) (Reissue) para 66. For the meaning of 'trust of land' see para 605 note 5 ante.

2 See eg the Trustee Act 1925 s 16; the Trusts of Land and Appointment of Trustees Act 1996 s 6 (as amended; prospectively amended); and para 1035 ante.

3 Trustees have an overriding duty to obtain the best price which they can for their beneficiaries, which may justify them in committing a breach of commercial morality: *Buttle v Saunders* [1950] 2 All ER 193 (where it was held that trustees had a duty to probe a higher offer despite negotiations with another purchaser having reached an advanced stage).

4 *Pechel v Fowler* (1795) 2 Anst 549; *Downes v Grazebrook* (1817) 3 Mer 200; *Ord v Noel* (1820) 5 Madd 438 at 440 per Leach V-C; *Anon* (1821) 6 Madd 10 at 11; *Rede v Oakes* (1864) 4 De GJ & Sm 505 at 512, 514; *Dance v Goldingham* (1873) 8 Ch App 902; *Re Cooper and Allen's Contract for Sale to Harlech* (1876) 4 ChD 802 at 815 et seq per Jessel MR; *Dunn v Flood* (1885) 28 ChD 586, CA: *Grove v Search, Griffin v Search* (1906) 22 TLR 290. As to the statutory duty of trustees of land in certain cases to give effect to the wishes of their beneficiaries see para 1036 ante. Apart from statute, a trustee in executing a trust for sale is not bound by the wishes of a beneficiary (*Selby v Bowie* (1863) 9 Jur NS 432 (affd 2 New Rep 2); *Grove v Search, Griffin v Search* supra), and may be held liable if, in deference to those wishes, he neglects to sell advantageously to the trust estate (*Taylor v Tabrum* (1833) 6 Sim 281). Where he is empowered to sell by private contract, he need not negotiate for a higher bid from persons offering to purchase before closing with one of them: *Harper v Hayes* (1860) 2 De GF & J 542. On sale of part of the mortgaged property by the mortgagor, a trustee-mortgagee may release that part from the mortgage, if he receives the whole of the purchase money (*Re Morrell and Chapman's Contract* [1915] 1 Ch 162), but, if he does not receive the whole of the purchase money, the propriety of the release must depend on the value of the property retained in mortgage. As to the effect of statutory powers of sale in curtailing the necessity for inserting express powers in trust instruments see POWERS vol 36(2) (Reissue) para 229. As to sale by auction see para 1042 post; and AUCTION vol 2(3) (Reissue) para 233 et seq. As to the purchaser's lien in certain circumstances see LIEN vol 28 (Reissue) para 763. As to conveyances and covenants for title by trustees who sell see SALE OF LAND vol 42 (Reissue) paras 338, 349–351.

5 *Campbell v Walker* (1800) 5 Ves 678 at 680 per Arden MR; *Oliver v Court* (1820) 8 Price 127 at 165 per Richards CB; *Re Cooper and Allen's Contract for Sale to Harlech* (1876) 4 ChD 802 at 815. As to the sale of timber at a valuation see SALE OF LAND vol 42 (Reissue) para 88.

6 *Thomas v Williams* (1883) 24 ChD 558; *Re Blake, Jones v Blake* (1885) 29 ChD 913, CA. See, however, *Robinson v Briggs* (1853) 1 Sm & G 188; *Marshall v Sladden* (1851) 4 De G & Sm 468 (trustees acted improperly). As to the absolute statutory power of sale conferred on a tenant for life see SETTLEMENTS vol 42 (Reissue) para 827.

7 The settlor can authorise the trustees to ignore the interests of the beneficiaries in which case the trustees will commit no breach of trust as against those beneficiaries unless the trustees exercise their discretion improperly: *Hayim v Citibank NA* [1987] AC 730, PC, at 746.

8 *Blacklow v Laws* (1842) 2 Hare 40; *Johnstone v Baber* (1845) 8 Beav 233; *Want v Stallibrass* (1873) LR 8 Exch 175; *Smith v Great Northern Rly Co* (1874) 23 WR 126; *Carlyon v Truscott* (1875) LR 20 Eq 348; *Re Bryant and Barningham's Contract* (1890) 44 ChD 218, CA; *Re Head's Trustees and Macdonald* (1890) 38 WR 657, CA; but see *Mills v Dugmore* (1861) 30 Beav 104. As to the power of sale under the Settled Land Act 1925 see SETTLEMENTS vol 42 (Reissue) para 827.

9 *Peters v Lewes and East Grinstead Rly Co* (1881) 18 ChD 429 at 435, CA, per Jessel MR; *Re Lord Sudeley and Baines & Co* [1894] 1 Ch 334; *Re Jump, Galloway v Hope* [1903] 1 Ch 129; *Talbot v Scarisbrick* [1908] 1 Ch 812; *Re Horsnaill, Womersley v Horsnaill* [1909] 1 Ch 631; *Re Kaye and Hoyle's Contract* (1909) 53 Sol Jo 520.

10 Trustee Act 1925 s 17. See also *City of London Building Society v Flegg* [1988] AC 54, [1987] 3 All ER 435, HL.

1042. Statutory provisions as to sales. If and so far as a contrary intention is not expressed in the instrument creating the trust or power, and subject to the provisions of that instrument[1], where a trustee has a duty or power to sell property, he may sell or concur with any other person in selling all or any part of the property, either subject to prior charges or not, and either together or in lots[2], by public auction[3] or by private contract, subject to any such conditions respecting title or evidence of title or other matter as the trustee thinks fit; and he may vary any contract for sale, and buy in at any auction, or rescind any contract for sale and resell, without being answerable for any

loss[4]. A duty or power to sell or dispose of land includes a duty or power to sell or dispose of part of it, whether the division is horizontal, vertical or made in any other way[5].

1 See the Trustee Act 1925 s 69(2); and para 603 ante.
2 In the case of a sale of leaseholds in lots in exercise of a trust for sale the conditions may properly provide for the granting of underleases of lots sold in the event of the whole not being disposed of: *Re Judd and Poland and Skelcher's Contract* [1906] 1 Ch 684, CA. See also *Re Clarke's Will Trusts, Alexander v Clarke* [1920] 1 IR 47. As to the power of trustees to collaborate with other persons interested where an undivided share in the proceeds of sale of land, or in any other property, is subject to the trust see para 1037 ante. A trust for sale of land is now subsumed under a trust of land: see the Trusts of Land and Appointment of Trustees Act 1996 ss 1, 4, 5; para 605 note 5 ante; and REAL PROPERTY vol 39(2) (Reissue) para 66. For the meaning of 'trust of land' see para 605 note 5 ante.
3 As to sale by auction see AUCTION vol 2(3) (Reissue) para 233 et seq.
4 Trustee Act 1925 s 12(1) (amended by the Trusts of Land and Appointment of Trustees Act 1996 s 25(1), Sch 3 para 3(2)(a)). The Trustee Act 1925 s 12(1) (as amended) does not enable an express power to sell settled land to be exercised where the power is not vested in the tenant for life or statutory owner: s 12(3).
5 Ibid s 12(2) (amended by the Trusts of Land and Appointment of Trustees Act 1996 Sch 3 para 3(2)(b)).

1043. Joint sale apart from statute. Apart from statute[1], the power of a trustee invested with a power of sale to concur with another person in the sale of trust property jointly with adjacent or other property, or in the sale of a share or interest subject to the trust jointly with the remaining shares or interest in the same property for one entire sum, depends on whether the trust property or share or interest can be so sold advantageously, and whether a proper apportionment of the purchase money is possible[2]. The purchaser is entitled to be satisfied that the sale is not disadvantageous to the trust estate and that the purchase money has been apportioned[3], and in a proper case the apportionment, in default of agreement, will be made by the court[4].

1 For statutory powers to convey in the exercise of powers in the case when an undivided share in property is subject to a trust see para 1037 ante.
2 *Clark v Seymour* (1834) 7 Sim 67; *Rede v Oakes* (1864) 4 De GJ & Sm 505; *Cavendish v Cavendish* (1875) 10 Ch App 319; *Morris v Debenham* (1876) 2 ChD 540; *Re Cooper and Allen's Contract for Sale to Harlech* (1876) 4 ChD 802 at 814 et seq.
3 *Re Cooper and Allen's Contract for Sale to Harlech* (1876) 4 ChD 802 at 815 et seq. The terms of the trust may, however, render it unnecessary that the apportioned parts of the purchase money should be paid separately: *Re Parker and Beech's Contract* (1887) 56 LJ Ch 358 at 359, CA, per Lindley LJ.
4 *Clark v Seymour* (1834) 7 Sim 67; *Cavendish v Cavendish* (1875) 10 Ch App 319.

1044. Sale subject to depreciatory condition. On a sale[1] by a trustee, a purchaser may not make any objection to the title on the ground that any of the conditions subject to which the sale was made may have been unnecessarily depreciatory[2]. A beneficiary may not impeach the sale on that ground unless it also appears that the consideration for the sale was thereby rendered inadequate[3]; nor may the sale be impeached as against the purchaser on that ground after the execution of the conveyance, unless it appears that the purchaser was acting in collusion with the trustee at the time when the contract for the sale was made[4].

1 For the meaning of 'sale' see para 882 note 2 ante.
2 Trustee Act 1925 s 13(3). See also s 13(1), (2); and the text and notes 3–4 infra. Section 13 applies to sales whenever they were made: s 13(4).
3 Ibid s 13(1).
4 Ibid s 13(2).

1045. Forms of conveyance. In a conveyance a trustee may rely on the provisions of the Law of Property Act 1925 as to the covenants and other provisions implied in a conveyance[1].

1 See the Law of Property Act 1925 s 182; and para 1116 post.

1046. Power to partition. The trustees of land[1] may, where beneficiaries[2] of full age are absolutely entitled in undivided shares to land subject to the trust, partition the land, or any part of it, and provide (by way of mortgage or otherwise) for the payment of any equality money[3]. The trustees must give effect to any such partition by conveying the partitioned land in severalty (whether or not subject to any legal mortgage created for raising equality money), either absolutely or in trust, in accordance with the rights of those beneficiaries[4]. Before exercising these powers the trustees must obtain the consent of each of those beneficiaries[5]. Where a share in the land is affected by an incumbrance, the trustees may either give effect to it or provide for its discharge from the property allotted to that share as they think fit[6]. If a share in the land is absolutely vested in a minor, these provisions apply as if he were of full age, except that the trustees may act on his behalf and retain land or other property representing his share in trust for him[7].

These provisions do not apply in the case of a trust of land created by a disposition in so far as provision to the effect that they do not apply is made by the disposition[8]. If the disposition creating such a trust makes provision requiring any consent to be obtained to the exercise of any general power[9] or the power of partition[10], the power may not be exercised without that consent[11].

These provisions apply, with appropriate modifications, to personal representatives[12].

1 For the meaning of 'trustees of land' see para 601 ante.
2 For the meaning of 'beneficiary' see para 739 note 1 ante.
3 Trusts of Land and Appointment of Trustees Act 1996 s 7(1). Section 7(1) is subject to the Commonhold and Leasehold Reform Act 2002 s 21 (part-unit: interests) and s 22 (part-unit: charging): Trusts of Land and Appointment of Trustees Act 1996 s 7(6) (added by the Commonhold and Leasehold Reform Act 2002 s 68, Sch 5 para 8).
4 Trusts of Land and Appointment of Trustees Act 1996 s 7(2).
5 Ibid s 7(3). A purchaser of land which is or has been subject to a trust need not be concerned to see that any requirement imposed on the trustees by s 7(3) has been complied with (s 16(1)), but this does not apply to registered land (s 16(7)).
6 Ibid s 7(4).
7 Ibid s 7(5).
8 Ibid s 8(1). This does not apply in the case of charitable, ecclesiastical or public trusts (see s 8(3)), and has effect subject to any enactment which prohibits or restricts the effect of provision of the description mentioned in s 8(1) (see s 8(4)).
9 Ie under ibid s 6 (prospectively amended) (see para 1035 ante).
10 Ie under ibid s 7.
11 Ibid s 8(2). This has effect subject to any enactment which prohibits or restricts the effect of provision of the description mentioned in s 8(2): see s 8(4).
12 See ibid s 18.

(v) Power to Insure

1047. Power to insure against loss or damage. A trustee may insure any property which is subject to the trust against risks of loss or damage due to any event, and may pay the premiums out of the trust funds[1]. Where the property is held on a bare trust[2], however, the power to insure is subject to any direction given by the beneficiary (or each of them) that any property specified in the direction is not to be insured, or is only to be insured on specified conditions[3]. If such a direction is given, the power to insure ceases to be a delegable function[4] so far as it is subject to the direction[5].

These provisions do not impose any duty to insure. The position at common law is unclear[6]. A failure by trustees to exercise a power to insure (whether statutory or express), in circumstances where a reasonable person would have done so, may constitute a breach of the trustees' duty to act in the best interests of the beneficiaries[7]. Moreover, the statutory duty of care applies to a trustee when exercising the statutory power to insure, or any corresponding power, however conferred[8]. The duty of care will

cover, for example, the selection of an insurer and the terms on which the insurance cover is taken out. A trustee has an insurable interest in the trust property[9].

1 Trustee Act 1925 s 19(1) (s 19 substituted by the Trustee Act 2000 s 34(1)). 'Trust funds' means any income or capital funds of the trust: Trustee Act 1925 s 19(5) (as so substituted). The provisions of s 19 (as substituted) apply in relation to trusts whether created before or after the commencement of the Trustee Act 2000: s 34(3).

2 Property is held on a bare trust if it is held on trust for: (1) a beneficiary who is of full age and capacity and absolutely entitled to the property subject to the trust; or (2) beneficiaries each of whom is of full age and capacity and who (taken together) are absolutely entitled to the property subject to the trust: Trustee Act 1925 s 19(3) (as substituted: see note 1 supra).

3 See ibid s 19(2) (as substituted: see note 1 supra).

4 Ie for the purposes of the Trustee Act 2000 s 11: see para 989 ante.

5 Trustee Act 1925 s 19(4) (as substituted: see note 1 supra).

6 In *Re Betty* [1899] 1 Ch 821 at 829, North J suggested that trustees ought to insure at the expense and for the benefit of the estate. See also *Re Kingham, Kingham v Kingham* [1897] 1 IR 170. However, in *Bailey v Gould* (1840) 4 Y & C Ex 221 and *Fry v Fry* (1859) 27 Beav 144 at 146, the court found that there was no duty to insure against fire on the particular facts. In *Re McEacharn, Gambles v McEacharn* [1911] WN 23, the court refused to compel trustees to use a statutory power to insure against the risk of fire at the expense of the life tenant. The Law Commission stated that it was not recommending the imposition of a statutory duty to insure but that 'a failure to insure may in certain circumstances amount to a breach of the trustees' paramount duty to act in the best interests of the beneficiaries': see *Trustees' Powers and Duties* (Law Com no 260) (1999) para 3.21.

7 As to the duty to act in the best interests of the beneficiaries see para 954 et seq ante.

8 See the Trustee Act 2000 ss 1, 2, Sch 1 para 5; and para 950 ante. As to the statutory duty of care see para 949 ante.

9 Where there is a power to insure, there has never been any doubt that a trustee may insure the whole beneficial interest in property in which he holds only the legal estate and that he may recover from the insurers the entire diminution of its value notwithstanding that the beneficial owners were not co-insureds: see *Lonsdale and Thompson Ltd v Black Arrow Group plc* [1993] Ch 361 at 369, [1993] 3 All ER 648 at 653 per Williamson QC (he is accountable to the beneficiaries for such insurance proceeds as he may receive).

1048. Application of insurance money. Money receivable by trustees or any beneficiary under a policy of insurance against the loss or damage of any property subject to a trust or to a settlement[1] is capital money for the purposes of the trust or settlement where the policy has been kept up: (1) under any trust in that behalf; or (2) under any power, statutory or otherwise[2]; or (3) in performance of any covenant or obligation, statutory or otherwise; or (4) by a tenant for life impeachable for waste[3].

If receivable in respect of settled land[4] or any building or works on it, the money is deemed to be capital money arising under the Settled Land Act 1925 from the settled land, and must be invested or applied by the trustees or, if in court, under the direction of the court accordingly[5]. If the money was receivable in respect of personal chattels settled as heirlooms[6], it is deemed to be capital money arising under the Settled Land Act 1925, and is applicable by the trustees or, if in court, under the direction of the court, in like manner as provided by that Act with respect to money arising by a sale of chattels settled as heirlooms[7]. If the money was receivable in respect of land subject to a trust of land or personal property held on trust for sale, it is to be held upon the trusts and subject to the powers and provisions applicable to money arising by a sale under the trust[8]. In any other case, the money is to be held upon trusts corresponding as nearly as may be with the trusts affecting the property in respect of which it was payable[9].

In any case the money or any part of it may be applied by the trustees, or, if in court, under the direction of the court, in rebuilding, reinstating, replacing or repairing the property lost or damaged[10]. However, the money may only be so applied: (a) with the consent of any person whose consent to the investment of money subject to the trust is required by the instrument, if any, creating the trust; and (b) in the case of money

deemed to be capital money arising under the Settled Land Act 1925, subject to the provisions of that Act relating to the application of capital money by the trustees of the settlement[11].

If the money payable under the policy is receivable by any person other than the trustees of the trust or settlement, that person must use his best endeavours to recover and receive the money; and, after discharging any costs of recovery and receipt, he must pay the balance of the money to the trustees of the trust or settlement, or, if there are no trustees capable of giving a discharge for it, he must pay it into court[12].

Nothing in the statutory provisions prejudices or affects the right of any person to require money to be applied in rebuilding, reinstating or repairing the property lost or damaged, or the rights of any mortgagee, lessor or lessee, whether under any statute or otherwise[13].

1 Ie within the meaning of the Settled Land Act 1925: see SETTLEMENTS vol 42 (Reissue) para 675 et seq.
2 Eg under the Trustee Act 1925 s 19 (as amended): see para 1047 ante.
3 Ibid s 20(1) (amended by the Trustee Act 2000 ss 34(2), 40(3), Sch 4 Pt II). For cases outside this provision see *Re Quicke's Trusts, Poltimore v Quicke* [1908] 1 Ch 887; *Re McEacharn, Gambles v McEacharn* [1911] WN 23; *Re Bladon, Dando v Porter* [1911] 2 Ch 350 (affd [1912] 1 Ch 45, CA).

The Trustee Act 1925 s 20 (as amended) applies to policies effected before or after the date of commencement of the Act (i e 1 January 1926), but only to money received after that date: s 20(6).
4 Ie within the meaning of the Settled Land Act 1925: see SETTLEMENTS vol 42 (Reissue) para 680.
5 Trustee Act 1925 s 20(3)(a). As to the application of capital money see SETTLEMENTS vol 42 (Reissue) para 794 et seq.
6 Ie under the Settled Land Act 1925: see SETTLEMENTS vol 42 (Reissue) para 942 et seq.
7 Trustee Act 1925 s 20(3)(b). As to the application of proceeds of the sale of heirlooms see SETTLEMENTS vol 42 (Reissue) para 943.
8 Ibid s 20(3)(c) (amended by the Trusts of Land and Appointment of Trustees Act 1996 s 25(1), Sch 3 para 3(5)).
9 Trustee Act 1925 s 20(3)(d).
10 Ibid s 20(4).
11 Ibid s 20(4). As to the application of capital money see SETTLEMENTS vol 42 (Reissue) para 794 et seq.
12 Ibid s 20(2).
13 Ibid s 20(5).

(vi) Maintenance and Advancement

1049. Maintenance. The trust instrument may contain express powers for providing maintenance or education for, or otherwise benefiting, a beneficiary who is a minor[1]. Where the power is discretionary, as is usually the case, the duty of the trustees is to have regard exclusively to the best interests of the beneficiaries and ignore those of the settlor or any other person[2].

Apart from any such express powers and subject to any contrary intention expressed in the trust instrument[3], where a trustee holds property in trust for any person for any interest whatsoever[4], whether vested or contingent, he has statutory power during the minority of that person, subject to any prior interests or charges affecting that property, at his discretion to pay to that person's parent or guardian, if any, or otherwise apply for or towards his maintenance, education or benefit the whole or such part, if any, of the income[5] of the property as may in all the circumstances be reasonable, and must accumulate any surplus income[6]. In deciding whether the whole or any part of the income should be applied for such purposes, the trustees must have regard to the age of the minor and his requirements and generally to the circumstances of the case, and in particular to what other income, if any, is applicable to those purposes[7]. Once the beneficiary attains his majority, the trustees must pay a beneficiary's share of income to him even if his interest is still contingent under the terms of the trust[8].

1 As to the exercise and duration of express powers of maintenance see CHILDREN AND YOUNG PERSONS vol 5(3) (Reissue) para 58 et seq.
2 *Re Lofthouse* (1885) 29 ChD 921, CA; *Fuller v Evans* [2000] 1 All ER 636, [2000] Fam Law 542 (trustees are not precluded from exercising the power by paying children's school fees, where to do so would confer an incidental (and unintended) benefit on the settlor who was bound by a consent order in divorce proceedings to pay such fees).
3 See the Trustee Act 1925 s 69(2); and para 603 ante. A direction to accumulate income amounts to a contrary intention as it is necessarily inconsistent with a power to apply income for maintenance: *Re Henderson's Trusts, Schreiber v Baring* [1969] 3 All ER 769, [1969] 1 WLR 651, CA; *Re Erskine's Settlement Trusts, Hollis v Pigott* [1971] 1 All ER 572, [1971] 1 WLR 162.
4 The powers stated in the text do not apply where the instrument, if any, under which the interest arises came into operation before 1 January 1926: Trustee Act 1925 s 31(5). For statutory powers applicable in the case of an instrument which came into operation before 1 January 1926 see CHILDREN AND YOUNG PERSONS vol 5(3) (Reissue) para 61.
5 For these purposes, 'income' includes rents and profits: ibid s 68(1) para (10).
6 See ibid s 31 (as amended); and CHILDREN AND YOUNG PERSONS vol 5(3) (Reissue) para 63.
7 See ibid s 31(1) proviso; and CHILDREN AND YOUNG PERSONS vol 5(3) (Reissue) para 64.
8 *Re Jones' Will Trusts, Soames v A-G* [1947] Ch 48, [1946] 2 All ER 281.

1050. Advancement. The trust instrument may authorise the trustees to make advances out of the capital of any fund in which a minor or other person has a vested or presumptive or contingent interest[1]. Apart from any such express authority conferred by the trust instrument, but subject to any contrary intention expressed in it[2], under a trust constituted or created after 31 December 1925[3] trustees have statutory power in their absolute discretion to pay or apply capital money[4] subject to the trust for the advancement or benefit[5] of any person entitled to the capital of the trust property or any share of it, not exceeding altogether in amount half the presumptive or vested share or interest of that person in the trust property[6], whether the person is entitled to the capital or a share of it absolutely or contingently on his attaining any specified age or on the occurrence of any other event or subject to a gift over on his death under any specified age or on the occurrence of any other event, and whether in possession or in remainder or reversion[7]. Such an advance may be made notwithstanding that the interest of that person is liable to be defeated by the exercise of a power of appointment or revocation or to be diminished by the increase of the class to which he belongs[8]. The power of advancement is not an administrative power[9].

1 For examples of proper and improper exercises of a power of advancement see *Re Pauling's Settlement Trusts, Younghusband v Coutts & Co* [1964] Ch 303, [1963] 3 All ER 1, CA; *Re Clore's Settlement Trusts, Sainer v Clore* [1966] 2 All ER 272, [1966] 1 WLR 955. For a general consideration of such powers see CHILDREN AND YOUNG PERSONS vol 5(3) (Reissue) para 73 et seq. For the general principles as to the exercise in good faith of trustees' powers of advancement see *Re Hastings-Bass, Hastings-Bass v IRC* [1975] Ch 25, [1974] 2 All ER 193, CA.
2 See the Trustee Act 1925 s 69(2); and para 503 ante. See also *Re Evans' Settlement, Watkins v Whitworth-Jones* [1967] 3 All ER 343, [1967] 1 WLR 1294; *Re Henderson's Trusts, Schreiber v Baring* [1969] 3 All ER 769, [1969] 1 WLR 651, CA; *Henley v Wardell* (1988) Times, 29 January; cf *IRC v Bernstein* [1961] Ch 399, [1961] 1 All ER 320, CA (where it was held that a duty to accumulate is not necessarily inconsistent with a power of advancement).
3 See the Trustee Act 1925 s 32(3). The date referred to in the text is the commencement date of the Trustee Act 1925.
4 Ibid s 32 (as amended) does not apply to capital money arising under the Settled Land Act 1925: Trustee Act 1925 s 32(2) (substituted by the Trusts of Land and Appointment of Trustees Act 1996 s 25(1), Sch 3 para 3(8)). See also CHILDREN AND YOUNG PERSONS vol 5(3) (Reissue) para 78; SETTLEMENTS. Assets may be transferred in specie: *Re Collard's Will Trusts, Lloyds Bank Ltd v Rees* [1961] Ch 293, [1961] 1 All ER 821.
5 This is a use of the money which will improve the material situation of the beneficiary including settling the property on different trusts for the beneficiary: see *Pilkington v IRC* [1964] AC 612 at 635, [1962] 3 All ER 622 at 628 per Lord Radcliffe. It has been held to extend to a payment to a beneficiary to allow donation to charity: *Re Clore's Settlement Trusts, Sainer v Clore* [1966] 2 All ER 272, [1966] 1 WLR 955; cf *X v A* [2005] EWHC 2706 (Ch), [2006] 1 All ER 952, [2006] 1 WLR 741. See also *Re Kershaw's Trusts*

(1868) LR 6 Eq 322; *Lowther v Bentinck* (1874) LR 19 Eq 166; *Re Breed's Will* (1875) 1 ChD 226; *Re Garrett, Croft v Ruck* [1934] Ch 477; *Re Halsted's Will Trusts, Halsted v Halsted* [1937] 2 All ER 570; *Re CL* [1969] 1 Ch 587, [1968] 1 All ER 1104; *Re Hampden Settlement Trusts* [1977] TR 177; *Abacus (CI) Ltd (trustee of the Esteem Settlement and the Number 52 Trust) v Al Sabah* (2001) 4 ITELR 555, Jersey Court of Appeal.

6 See the Trustee Act 1925 s 32(1) proviso (a). In appropriate cases the court will use its powers under the Variation of Trusts Act 1958 to remove the limitation to permit the statutory power to be exercised in relation to the whole, not only half of the fund: *D (a child) v O* [2004] EWHC 1036 (Ch), [2004] 3 All ER 780, [2004] 3 FCR 195.

7 See the Trustee Act 1925 s 32(1); *Pilkington v IRC* [1964] AC 612, [1962] 3 All ER 622, HL; and CHILDREN AND YOUNG PERSONS vol 5(3) (Reissue) para 76 et seq. The money advanced must be brought into account if the person advanced is or becomes absolutely and indefeasibly entitled to a share in the trust property (see s 32(1) proviso (b)), and no advance may be made so as to prejudice any person entitled to any prior life or other interest, whether vested or contingent, in the money advanced unless that person is in existence and of full age and consents in writing to the advance being made (see s 32(1) proviso (c)). See CHILDREN AND YOUNG PERSONS vol 5(3) (Reissue) para 77. The advancement of capital without the consent of a prior income beneficiary given pursuant to statute is invalid, even where the power of advancement is expressed to be subject to an uncontrolled discretion, unless there is an express exclusion of the Trustee Act 1925 s 32(1) proviso (c): *Henley v Wardell* (1988) Times, 29 January. In *Re Marquess of Abergavenny's Estate Act Trusts, Marquess of Abergavenny v Ram* [1981] 2 All ER 643, [1981] 1 WLR 843, where the trustees had expressed power to advance to the life tenant 'any part or parts not exceeding in all one-half in value of the settled fund', it was held that an advance of half the value of the settled fund exhausted the power so that it ceased to be exercisable in the future even though the retained assets had subsequently increased in value.

8 See the Trustee Act 1925 s 32(1).

9 *D (a child) v O* [2004] EWHC 1036 (Ch) at [6], [2004] 3 All ER 780 at [6], [2004] 3 FCR 195 at [6] per Lloyd J.

(vii) Various Particular Powers

1051. Power to give receipts. Notwithstanding anything to the contrary in the instrument, if any, creating the trust, a trustee's written receipt for any money, securities[1], investments or other personal property[2] or effects payable, transferable or deliverable to him under any trust or power is a sufficient discharge to the person paying, transferring or delivering the same, and effectually exonerates him from seeing to the application or being answerable for any loss or misapplication thereof[3]. However, except where the trustee is a trust corporation[4], this provision does not enable a valid receipt for the proceeds of sale or other capital money arising under a trust of land[5], or for capital money arising under the Settled Land Act 1925, to be given by a sole trustee[6].

1 For the meaning of 'securities' see para 917 note 1 ante.

2 For the general meaning of 'property' see para 605 note 1 ante.

3 Trustee Act 1925 s 14(1), (3) (amended by the Trustee Act 2000 s 40(1), Sch 2 Pt II para 19). Where there are several trustees, other than charitable or other trustees entitled to act by majority instead of unanimously, they must all join in the receipt: *Crewe v Dicken* (1798) 4 Ves 97; *Walker v Symonds* (1818) 3 Swan 1 at 63; *Hall v Franck* (1849) 11 Beav 519; *Webb v Ledsam* (1855) 1 K & J 385; *Margetts v Perks* (1864) 12 WR 517; *Lee v Sankey* (1873) LR 15 Eq 204; *Re C Flower and Metropolitan Board of Works, Re M Flower and Metropolitan Board of Works* (1884) 27 ChD 592. As to the effect of joining in the receipt see para 1115 post.

4 For the meaning of 'trust corporation' see para 798 ante.

5 For the meaning of 'trust of land' see para 605 note 5 ante.

6 Trustee Act 1925 s 14(2) (amended by the Trusts of Land and Appointment of Trustees Act 1996 s 25(1), Sch 3 para 3(3)). As to the disability of a sole trustee, not being a trust corporation, to give valid receipts see para 799 ante. See also para 986 ante. As sole trustee may act alone in all matters involving no receipt of capital money: *Re Myhill, Hull v Myhill* [1928] Ch 100. Where a survivor of joint tenants becomes solely and beneficially interested in land held in trust, he is entitled to deal with his legal estate as if it were not held in trust: Law of Property Act 1925 s 36(2) (amended by the Law of Property (Amendment) Act 1926 s 7, Schedule; and the Trusts of Land and Appointment of Trustees Act 1996 s 25(2), Sch 3 para 4). If he elects to do so, he is not affected by the Trustee Act 1925 s 14(2) (as amended): see the Law of Property (Joint Tenants) Act 1964 s 1 (as amended); and SALE OF LAND vol 42 (Reissue) para 74.

1052. Power to compound debts. If and so far as a contrary intention is not expressed in the instrument creating the trust, and subject to the terms of that instrument[1], a personal representative[2] or two or more trustees acting together, or, subject to the statutory restrictions relating to receipts by a sole trustee not being a trust corporation[3], a sole acting trustee where by the instrument, if any, creating the trust or by statute a sole trustee is authorised to execute the trusts and powers reposed in him, may, if and as he thinks or they think fit:

(1) accept any property[4], real or personal, before the time at which it is made transferable or payable[5]; or
(2) sever and apportion any blended trust funds or property[6]; or
(3) pay or allow any debt or claim on any evidence that he thinks or they think sufficient[7]; or
(4) accept any composition or any security, real or personal, for any debt or for any property, real or personal, claimed[8]; or
(5) allow any time of payment of any debt[9]; or
(6) compromise[10], compound, abandon, submit to arbitration or otherwise settle any debt, account, claim or thing whatever relating to the testator's or intestate's estate or to the trust[11],

and, for any of those purposes, may enter into, give, execute and do such agreements, instruments of composition or arrangement, releases and other things as may seem expedient, without being responsible for any loss occasioned by any act or thing so done by them or him if he has or they have discharged the duty of care[12].

1 See the Trustee Act 1925 s 69(2); and para 603 ante.
2 For the meaning of 'personal representative' see para 602 note 1 ante.
3 For the meaning of 'trust corporation' see para 798 ante.
4 For the meaning of 'property' see para 605 note 1 ante.
5 Trustee Act 1925 s 15(a).
6 Ibid s 15(b).
7 Ibid s 15(c).
8 Ibid s 15(d).
9 Ibid s 15(e).
10 The court has jurisdiction to exercise the discretion on behalf of the trustees and to sanction a compromise and in so doing it has regard to the interests of all concerned: *Re Ezekiel's Settlement Trusts, National Provincial Bank Ltd v Hyam* [1942] Ch 230, [1942] 2 All ER 224, CA; *Re Earl of Strafford, Royal Bank of Scotland v Byng* [1980] Ch 28, [1979] 1 All ER 513, CA. The court will only accept a surrender of discretion for good reason such as where the trustees are deadlocked or disabled by conflict of interest: see *Abacus (CI) Ltd v Hirschfield* (2001) 4 ITELR 686, Jersey Royal Court, Samedi Division at 689 per Commissioner Smith (citing with approval *Public Trustee v Paul Cooper & Co* [1999] All ER (D) 1524, in which Hart J adopted the statement of Walker J in *Re The S Settlement* (2001) 4 ITELR 206, Jersey Royal Court, Samedi Division).
11 Trustee Act 1925 s 15(f). See *Re Shenton* [1935] Ch 651 (where there was an agreement to treat a claim as preferential under a deed of arrangement). There is no reason why trustees should not be able to compromise or otherwise deal with a debt arising under the Pensions Act 1995 s 75 (see SOCIAL SECURITY AND PENSIONS vol 44(2) (Reissue) para 850): *Bradstock Group Pension Scheme Trustees Ltd v Bradstock Group plc* [2002] EWHC 1461 (Ch), [2002] ICR 1427. Moral considerations may be relevant to an exercise of the power to compromise but there must be a genuine legal claim to compromise: see *A-G v Trustees of the British Museum (Commission for Looted Art in Europe intervening)* [2005] EWHC 1089 (Ch), [2005] Ch 397 (a case on the powers of charity trustees). For the powers of charity trustees to compromise claims and make ex gratia payments see CHARITIES vol 5(2) (2001 Reissue) paras 368–370.
12 Trustee Act 1925 s 15 (amended by the Trustee Act 2000 s 40(1), Sch 2 Pt II para 20). The duty of care mentioned in the text is the one set out in the Trustee Act 2000 s 1: see para 949 ante.

1053. Powers in regard to reversionary interests etc. If trust property includes any share or interest in property not vested in the trustees, or the proceeds of the sale of any such property, or any other thing in action, then on the same falling into possession[1], or becoming payable or transferable, the trustees may:

(1) agree or ascertain the amount or value[2] of the share, interest or other thing in action or of any part of it in such manner as they may think fit[3];
(2) accept in or towards satisfaction of it, at the market or current value, or upon any valuation or estimate of value which they may think fit, any authorised investments[4];
(3) allow any deductions for duties, costs, charges and expenses which they may think proper or reasonable[5];
(4) execute any release in respect of the premises so as effectually to discharge all accountable parties from all liability in respect of any matters coming within the scope of the release[6].

Trustees are not responsible in any such case for any loss occasioned by any act or thing if they have discharged the duty of care[7].

Trustees are not under any obligation and are not chargeable with any breach of trust by reason of any omission to place any stop notice or apply for any stop or other like order upon any securities or other property out of or on which any such share or interest or other thing in action is derived, payable or charged, or to take any proceedings on account of any act, default or neglect on the part of the persons in whom such securities or other property or any of them or any part of it are for the time being, or had at any time been, vested, unless and until required in writing so to do by some person, or the guardian of some person, beneficially interested under the trust, and unless also due provision is made to their satisfaction for payment of the costs of any proceedings required to be taken[8].

1 For these purposes, 'possession' includes receipt of rents and profits or the right to receive the same, if any: Trustee Act 1925 s 68(1) para (10). As to things in action see CHOSES IN ACTION.
2 As to the power to procure valuations see para 1054 post.
3 Trustee Act 1925 s 22(1)(a).
4 Ibid s 22(1)(b).
5 Ibid s 22(1)(c).
6 Ibid s 22(1)(d).
7 Ibid s 22(1) (amended by the Trustee Act 2000 s 40(1), Sch 2 Pt II para 22(a)). The duty of care mentioned in the text is the duty of care set out in the Trustee Act 2000 s 1: see para 949 ante.
8 Trustee Act 1925 s 22(2). Nothing in s 22(2) relieves the trustees of the obligation to get in and obtain payment or transfer of the share or interest or other thing in action on the same falling into possession: s 22(2) proviso.

1054. Power to procure and act on valuations. For the purpose of giving effect to the trust, or any of the provisions of the instrument, if any, creating the trust or of any statute, from time to time, trustees may, by duly qualified agents, ascertain and fix the value of any trust property in such manner as they think proper, and any valuation so made is binding upon all persons interested under the trust if the trustees have discharged the duty of care[1].

1 Trustee Act 1925 s 22(3) (amended by the Trustee Act 2000 s 40(1), Sch 2 Pt II para 22(b)). The duty of care mentioned in the text is the duty of care set out in the Trustee Act 2000 s 1(1): see para 949 ante.

1055. Power to raise money by sale or mortgage. Where trustees are authorised by the instrument, if any, creating the trust or by law to pay or apply capital money subject to the trust for any purpose or in any manner, they have power to raise the money required by sale[1], conversion, calling in or mortgage of all or any part of the trust property for the time being in possession[2]. On a sale or mortgage purporting to be made under any trust or power vested in trustees, the purchaser or mortgagee paying or advancing the money is not to be concerned to see that the money is wanted, or that no more than is wanted is raised, or otherwise as to its application[3].

1 For the meaning of 'sale' see para 882 note 2 ante.

2 Trustee Act 1925 s 16(1). For the meaning of 'possession' see para 1053 note 1 ante. Section 16 is retrospective (s 16(1)) and applies notwithstanding anything to the contrary contained in the trust instrument, if any, creating the trust, but does not apply to trustees of property held for charitable purposes or to trustees of a settlement for the purposes of the Settled Land Act 1925 not being also the statutory owners (Trustee Act 1925 s 16(2)). For these purposes, 'statutory owner' has the same meaning as in the Settled Land Act 1925 (see SETTLEMENTS vol 42 (Reissue) para 766): Trustee Act 1925 s 68(1) para (15). Trustees may not use s 16 to gear up the trust fund by mortgaging trust property to provide cash to enable further property to be acquired by the trust: *Re Suenson-Taylor's Settlement Trusts, Moores v Moores* [1974] 3 All ER 397, [1974] 1 WLR 1280.

3 Trustee Act 1925 s 17. See *City of London Building Society v Flegg* [1988] AC 54, [1987] 3 All ER 435, HL.

1056. Appropriation of specific portions of the trust property. Trustees have wide, but not fully defined, inherent powers of appropriation[1].

Where under the instrument creating the trust the trustees have power to sell trust property to a beneficiary, they may instead from time to time agree with a beneficiary absolutely entitled to a share of the trust property for the appropriation of a specific portion of it as his share[2]. A beneficiary who is a minor and incapable of consenting to an appropriation can, however, still be bound by an appropriation if it is done fairly upon a proper valuation[3]. Trustees can make a valid appropriation of a part of the trust property to one beneficiary without making a corresponding appropriation to the others[4] provided that the appropriation is fairly made[5]. Where the trusts are for specific sums to be held on separate trusts, a severance of funds may be the most proper course[6]. However, in the case of income interests, an interest in half the income of an undivided fund is different from the whole income of a divided half of that fund, so that an appropriation into two moieties varies the beneficial interests and necessitates an application under the Variation of Trusts Act 1958 if there is no express power of appropriation in the trust deed[7]. To be valid, an appropriation by trustees must, in general, be only of investments authorised by law or the particular trust instrument[8], unless the beneficiary consents[9], and must be sufficient at the date of conversion[10]. Trustees may employ a qualified valuer to ascertain and fix the value of any trust property[11]. The rule against self dealing applies to trustees and personal representatives[12].

1 *Lewin on Trusts* (17th Edn, 2000) p 1015.

2 *Re Beverly, Watson v Watson* [1901] 1 Ch 681 at 685 per Buckley J. See also *Re Lepine, Dowsett v Culver* [1892] 1 Ch 210, CA, at 215 per Lindley LJ.

3 *Re Ruddock, Newberry v Mansfield* (1910) 102 LT 89, CA (trustees ordered to pay costs of an application to the court to obtain an apportionment which had been refused by the trustees when it would have been perfectly easy for them to carry one out).

4 *Re Richardson, Morgan v Richardson* [1896] 1 Ch 512; *Re Nickels, Nickels v Nickels* [1898] 1 Ch 630.

5 *Re Lepine, Dowsett v Culver* [1892] 1 Ch 210, CA at 218 per Fry LJ. Where the trustees are authorised to postpone sale, a beneficiary who is absolutely entitled cannot insist on immediate payment of his share: *Re Kipping, Kipping v Kipping* [1914] 1 Ch 62, CA.

6 *Fraser v Murdoch* (1881) 6 App Cas 855, HL, at 865 per Lord Selborne. After the appropriation neither portion of the trust property is liable to make good a subsequent depreciation in the other portion; *Re Walker, Walker v Walker* (1890) 62 LT 449 at 451 per Kekewich J.

7 *Re Freeston's Charity* [1979] 1 All ER 51 at 60, [1978] 1 WLR 741 at 751–752. As to applications under the Variation of Trusts Act 1958 see para 1062 et seq post.

8 *Fraser v Murdoch* (1881) 6 App Cas 855, HL. See *Re Owthwaite, Owthwaite v Taylor* [1891] 3 Ch 494.

9 *Re Cooke's Settlement, Tarry v Cooke* [1913] 2 Ch 661. The trustees may take into account the wishes of the life tenant so long as they do not unduly favour the life tenant at the expense of the remainderman: *Fraser v Murdoch* (1881) 6 App Cas 855, HL, at 864 per Lord Selborne.

10 *Re Waters, Preston v Waters* [1889] WN 39.

11 See para 1054 ante. The appropriation may be treated as a transfer of the cash value of the appropriated investments (*Re Gollin's Declaration of Trust, Turner v Williams* [1969] 3 All ER 1591, [1969] 1 WLR 1858) or of a proportion of the whole trust fund (*Re Leigh's Settlement Trusts* [1981] CLY 2453).

12 *Kane v Radley-Kane* [1999] Ch 274, [1998] 3 All ER 753. A trustee may only appropriate to himself property having a fixed ascertainable value: *Re Bythway, Gough v Dames* (1911) 80 LJ Ch 246. As to appropriation by an executor or administrator see EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 573 et seq.

(3) INTERVENTION BY THE COURT

(i) Determination of Specific Questions

1057. Power to apply to the court. Where a trustee is in doubt as to his right course of action, he is entitled to take the court's opinion[1], and in general a trustee is entitled to the reasonable protection and direction of a court of equity in the exercise of his trust[2]. If, however, he obstinately, capriciously or unreasonably refuses to act without that protection, he will be ordered to pay the costs of the proceedings for obtaining it[3]. A trustee or a beneficiary may bring a claim in the High Court for the determination of any question or for any relief which could be determined or granted, as the case may be, in an administration claim[4]. When exercising its jurisdiction to give directions on a trustee's application, the court is engaged solely in determining what ought to be done in the best interests of the trust estate and not in determining the rights of adversarial parties[5]. A trustee should not bring or defend a claim without the court's sanction, as otherwise he does so at his own risk as to costs[6]. The decision of a court of first instance completely protects and indemnifies a trustee in respect of what he does in accordance with it[7]. If he appeals from it to a higher tribunal, he does so at his own risk[8]; and, if he fails, he will be ordered to pay the costs of the appeal[9].

1 *Talbot v Earl of Radnor* (1834) 3 My & K 252 at 253 per Leach MR; *Iredell v Iredell* (1854) 18 Beav 202; *King v King* (1857) 1 De G & J 663; *Merlin v Blagrave* (1858) 25 Beav 125 at 137–138 per Romilly MR; *Rose v Sharrod* (1863) 11 WR 356; *Re Earl of Radnor's Will Trusts* (1890) 45 ChD 402 at 423, CA, per Lord Esher MR; *Re Yorke, Stone v Chataway* [1997] 4 All ER 907. The trustee must provide the court with all relevant material for the court will not act on incomplete information: *Marley v Mutual Security Merchant Bank and Trust Co Ltd* [1991] 3 All ER 198, PC. A trustee invested with an absolute discretion may obtain the direction of the court as to its exercise: *Law Guarantee Trust and Accident Society v Munich Re-insurance Co* [1912] 1 Ch 138 at 156 per Warrington J.

2 *Taylor v Glanville* (1818) 3 Madd 176 at 178 per Leach V-C; *Curteis v Candler* (1821) 6 Madd 123; *Goodson v Ellisson* (1827) 3 Russ 583 at 589 per Lord Gifford MR; *Gardiner v Downes* (1856) 22 Beav 395 at 397 per Romilly MR; *King v King* (1857) 1 De G & J 663; *Barker v Peile* (1865) 2 Drew & Sm 340; *Cook v Harvey* [1874] WN 69. See also para 1070 post. Where the matter is in doubt, a trustee has a right to take proceedings to ascertain whether any amount is due from or to him to or from his beneficiary: *Singleton v Selwyn* (1863) 9 LT 408 at 409 per Wood V-C. As to the right of a trustee to a release see para 925 ante.

3 *Taylor v Glanville* (1818) 3 Madd 176 at 178; *Goodson v Ellisson* (1827) 3 Russ 583 at 589; *Re Cabburn, Gage v Rutland* (1882) 46 LT 848. The trustee may not charge the expense of obtaining the protection upon the trust property where no responsibility on his part is involved, or where his motive is obviously vexatious: *Curteis v Candler* (1821) 6 Madd 123. See also *Re Ruddock, Newberry v Mansfield* (1910) 102 LT 89, CA.

4 See CPR 64.2. As to the general power to apply by claim form for an order for the execution of a trust to be carried out under the direction of the court or for the court to determine any question arising in the execution of a trust see CPR Pt 64; *Practice Direction—Estates, Trusts and Charities* PD 64; *Practice Direction—Applications to the Court for Directions by Trustees in relation to the Administration of the Trust* PD 64b. In the case of such applications the court has power to make a prospective costs order: see *Practice Direction—Applications to the Court for Directions by Trustees in relation to the Administration of the Trust* PD 64b para 6; and see also paras 635–636 ante.

5 *Marley v Mutual Security Merchant Bank and Trust Co Ltd* [1991] 3 All ER 198, PC. There is a distinction between cases where trustees seek the approval by the court of a proposed exercise by them of their discretion and where they surrender their discretion to the court: *Re Allen-Meyrick's Will Trusts, Mangnall v Allen-Meyrick* [1966] 1 All ER 740 at 743, [1966] 1 WLR 499 at 503 per Buckley J. In cases where there is a surrender, the court has an unfettered discretion to decide what should be done in the best interests of the trust; where there is no surrender, the primary focus of the court's attention must be on the views of the trustees and the exercise of discretion proposed by the trustees: *Royal Society for the Prevention of Cruelty to Animals v A-G* [2001] 3 All ER 530, [2002] 1 WLR 448.

6 See *Re Beddoe, Downes v Cottam* [1893] 1 Ch 547, CA; *Dagnell v JL Freedman & Co (a firm)* [1993] 2 All ER 161, [1993] 1 WLR 388, HL. See also *McDonald v Horn* [1995] 1 All ER 961, CA. As to the right of a trustee to the costs of legal proceedings see para 906 et seq ante.

7 *Underwood v Hatton* (1842) 5 Beav 36; *Foster v M'Mahon* (1847) 11 I Eq R 287; *Rowland v Morgan* (1848) 13 Jur 23 at 26 per Lord Cottenham LC; *Smith v Smith* (1861) 1 Drew & Sm 384 at 387 per Kindersley V-C; *Re Earl of Radnor's Will Trusts* (1890) 45 ChD 402 at 423, CA.

8 *Rowland v Morgan* (1848) 13 Jur 23 at 26; *Tucker v Hernaman* (1853) 4 De GM & G 395 at 404; and see *Re Londonderry's Settlement, Peat v Walsh* [1965] Ch 918, [1964] 3 All ER 855, CA (where contrasting views were expressed by Harman LJ and Salmon LJ as to whether trustees should initiate an appeal).

9 *Re Butterworth, ex p Russell* (1882) 19 ChD 588, CA; *Re Earl of Radnor's Will Trusts* (1890) 45 ChD 402 at 423, CA, per Lord Esher MR.

1058. Administration on basis that a woman is past child-bearing. There has long been a practice by which the court gives liberty to pay money out of court or to administer trust funds on the footing that a woman is no longer able to give birth to a child[1]. The practice has been based on convenience of administration and on the existence of a high degree of improbability that children will be born[2]. The application to court is not for a variation of the existing trusts; it is an application to the court in its administrative jurisdiction for leave to carry out the existing trusts without variation on the footing that the impossible will not happen[3]. The practice has been applied not only in relation to a married woman, but also in relation to a widow who has had children, or a spinster[4]. The court is cautious of accepting any rule laid down by former decisions as to age, and will bear in mind that more accurate medical evidence has become available[5]. The presumption that a woman is past child-bearing is not made where its effect will be to deprive another person of a chance of becoming entitled if a child is born[6], or, in the case of an instrument taking effect before 16 July 1964[7], where the purpose is to render inapplicable the rule against perpetuities[8]. In relation to instruments taking effect on or after 16 July 1964 it is to be presumed, where a perpetuity question arises, that a male can have a child at the age of 14 or over but not under that age, and that a female can have a child at the age of 12 or over but not under that age or over the age of 55[9].

An application for administration on the basis that a man's age precludes the possibility of issue will not be entertained[10].

1 For examples of cases where an order was made see *Edwards v Tuck* (1856) 23 Beav 268 (age 58); *Re Widdow's Trusts* (1871) LR 11 Eq 408 (ages 53 and 55); *Re Millner's Estate* (1872) LR 14 Eq 245 (age 49; married 26 years; no children); *Re Summer's Trusts* (1874) 30 LT 377 (special medical evidence); *Re Allason's Trusts* (1877) 36 LT 653 (age 41; married 15 years; no children); *Re Taylor's Settlement Trusts* (1881) 43 LT 795 (age 52); *Re Thornhill, Thornhill v Nixon* [1904] WN 112 (age 52; last child 22 years previously); *Carr v Carr* (1912) 106 LT 753 (age 51; insurance policy taken out to replace fund in the event of a child being born). For cases where an order was withheld see *Davies v Weld* (1683) 1 Vern 181; *Croxton v May* (1878) 9 ChD 388 (age 54; married three years only); *Re Hocking, Michell v Loe* [1898] 2 Ch 567, CA; *Re Cazenove, Perkin v Bland* (1919) 122 LT 181.

2 *Re Dawson, Johnston v Hill* (1888) 39 ChD 155. Except under the Perpetuities and Accumulations Act 1964 ss 2, 14 (see the text and note 9 infra), there is no presumption as to the particular age at which a woman becomes past child-bearing; but in the case of a woman in her seventies not only would the trustees be authorised to distribute a fund on the footing that she is past child-bearing but the court would consider it an unnecessary waste of money for the trustees to come to the court and ask leave so to distribute. Trustees can with complete safety and propriety deal with their funds on the basis that a woman of 70 will not have a further child: *Re Pettifor's Will Trusts, Roberts v Roberts* [1966] Ch 257, [1966] 1 All ER 913. The courts have not yet been called on to consider recent advances in cryobiology: see the Human Fertilisation and Embryology Act 1990 ss 27(1), 28(6)(b); *The Rules against Perpetuities and Excessive Accumulations* (Law Com no 133); and PERPETUITIES AND ACCUMULATIONS vol 35 (Reissue) para 1026.

3 *Re Pettifor's Will Trust, Roberts v Roberts* [1966] Ch 257 at 260, [1966] 1 All ER 913 at 915 per Pennicuik J. See also *Figg v Clarke (Inspector of Taxes)* [1997] 1 WLR 603, [1997] STC 247.

4 See e g *Re Widdow's Trusts* (1871) LR 11 Eq 408; *Re Taylor's Settlement Trusts* (1881) 43 LT 795; *Re White, White v Edmond* [1901] 1 Ch 570.

5 *Re Westminster Bank Ltd's Declaration of Trust* [1963] 2 All ER 400n, [1963] 1 WLR 820 (thrice married; last child 27 years previously; medical evidence).

6 *Re Hocking, Michell v Loe* [1898] 2 Ch 567, CA; *Re Cazenove, Perkin v Bland* (1919) 122 LT 181. An application for variation of trusts may be joined with an application for an order on the footing of child-bearing being past: see *Re Westminster Bank Ltd's Declaration of Trust* [1963] 2 All ER 400n, [1963] 1 WLR 820.
7 Ie the date on which the Perpetuities and Accumulations Act 1964 came into force.
8 *Re Dawson, Johnston v Hill* (1888) 39 ChD 155.
9 See the Perpetuities and Accumulations Act 1964 ss 2(1)(a), 14, 15(5). In the case of a living person evidence may be given to show that he or she will not be able to have a child at the time in question: s 2(1)(b). See further PERPETUITIES AND ACCUMULATIONS vol 35 (Reissue) paras 1066, 1120.
10 *P v N* (1896) 31 L Jo 690.

(ii) Variation of Trusts

A. IN GENERAL

1059. Deviation from terms of trust. Circumstances may arise in which it seems necessary or beneficial for a trustee to deviate from the strict letter of the trust. If, however, he does so and his act is subsequently challenged, he will have acted at the risk of being held liable for breach of trust[1], unless:

(1) he acted with the consent of all the beneficiaries, of whom all were sui juris[2]; or
(2) he acted under statutory sanction[3]; or
(3) he obtained the sanction of the court to his act before he so acted[4]; or
(4) the trust directions from which he deviated were illegal[5] or incapable of being observed[6].

1 As to the court's power to relieve a trustee from personal liability for a breach of trust where he has acted honestly and reasonably and ought fairly to be excused for the breach and for omitting to obtain the directions of the court see the Trustee Act 1925 s 61; and para 1123 post. See also *Harrison v Randall* (1851) 9 Hare 397 at 407 per Turner V-C (where it was held that, when a trustee deviates from the letter of his trust, he does so under the obligation and at the peril of afterwards satisfying the court that the deviation was necessary or beneficial).
2 *Wilkinson v Parry* (1828) 4 Russ 272 at 276 per Leach MR; *Griffiths v Porter* (1858) 25 Beav 236 at 241 per Romilly MR; *Bradby v Whitchurch* [1868] WN 81; *Wharton v Masterman* [1895] AC 186, HL; *Re Baker and Selmon's Contract* [1907] 1 Ch 238.
3 See eg the Lands Clauses Consolidation Act 1845 s 7 (as amended) (see COMPULSORY ACQUISITION OF LAND vol 8(1) (2003 Reissue) para 96); and the Settled Land Act 1925 s 108(2) (see SETTLEMENTS vol 42 (Reissue) para 881).
4 *King v King* (1857) 1 De G & J 663. The court will not ordinarily override the terms of the trust: *Blacklow v Laws* (1842) 2 Hare 40; *Johnstone v Baber* (1845) 8 Beav 233; *Re New, Re Leavers, Re Morley* [1901] 2 Ch 534, CA. See also *Re Wells, Boyer v Maclean* [1903] 1 Ch 848 (where contingent interests were made absolute although minors were concerned). In *Re Wells, Boyer v Maclean* supra derivative settlements in which minors were interested had been made by the persons contingently entitled to the corpus, who were all sui juris. No alteration was required of any of the trusts of these settlements. What was proposed was that the trustees of the derivative settlements should receive a present and certain subject matter instead of their previously existing contingent rights: see *Chapman v Chapman* [1954] AC 429 at 464, [1954] 1 All ER 798 at 815, HL. As to the limits of the court's inherent jurisdiction to modify trusts see further para 1060 post. The court may confer on trustees the power necessary to carry out transactions which appear to be expedient but cannot be effected owing to the absence of any power for the purpose vested in the trustees by the trust instrument or by law: see the Trustee Act 1925 s 57; and para 1061 post. In addition, the court has wide powers to vary the terms of trusts under the Variation of Trusts Act 1958 s 1 (as amended): see para 1062 et seq post.
5 *Re Beard, Reversionary and General Securities Co Ltd v Hall, Re Beard, Beard v Hall* [1908] 1 Ch 383.
6 *Collett v Collett* (1866) 35 Beav 312; *Re Bird, Bird v Cross* (1894) 8 R 326.

1060. Inherent jurisdiction. The court gives effect to the intention of the settlor or testator as expressed in the trust instrument[1] and has not arrogated to itself any inherent overriding power to disregard or rewrite the trusts[2]. However, apart from cases where a change has been effected in a minor's property[3], or the court has approved a compromise on behalf of minors and of possible after-born beneficiaries[4], there have

been cases[5] in which the court[6] has allowed trustees exceptionally to obtain remuneration or increased remuneration for their services[7] or to enter into some beneficial business transaction by way of management[8] or salvage[9] or in emergency[10], which was not a transaction authorised by the trust[11], and cases in which, in allowing maintenance out of income, the court has altered beneficial interests[12], for example because accumulation is thereby suspended[13]. Nevertheless, the court's inherent jurisdiction to modify private trusts is limited; but in relation to public charitable trusts the court has a wider power and discretion and, although it cannot alter the valid object of the trust, it may, according to the circumstances of the case, vary the mode of its attainment[14].

1 See *Re Hazeldine's Trusts* [1908] 1 Ch 34 at 40–41, CA (where Farwell LJ approved of the view that the court's business is to execute trusts not to alter them). See also e g *Johnstone v Baber* (1845) 8 Beav 233; *Re Walker, Walker v Duncombe* [1901] 1 Ch 879 at 885.

2 See *Chapman v Chapman* [1954] AC 429 at 451, [1954] 1 All ER 798 at 807, HL, per Lord Morton. See also *Re Crawshay, Dennis v Crawshay* (1888) 60 LT 357; *Re Montagu, Derbishire v Montagu* [1897] 2 Ch 8, CA; *Re Morrison, Morrison v Morrison* [1901] 1 Ch 701 at 707 per Buckley J.

3 See e g *Earl of Winchelsea v Norcliffe* (1686) 1 Vern 435; *Pierson v Shore* (1739) 1 Atk 480; *Bridges v Bridges* (1752) 12 App Cas 693n; *Inwood v Twyne* (1762) Amb 417; *Lord Ashburton v Lady Ashburton* (1801) 6 Ves 6; *Glover v Barlow* (1831) 21 ChD 788n; *Re Jackson, Jackson v Talbot* (1882) 21 ChD 786; *Worthington v M'Craer* (1856) 23 Beav 81 and EQUITY. A similar jurisdiction has been exercised in the case of persons suffering from mental disorder: *Chapman v Chapman* [1954] AC 429 at 452, [1954] 1 All ER 798 at 808, HL. See also e g *Re Carr's Trusts, Carr v Carr* [1904] 1 Ch 792, CA (where a fund to which a person suffering from mental disorder was absolutely entitled was ordered to be brought into court and the income to be paid to one of the trustees to be applied for the maintenance of that person); and MENTAL HEALTH vol 30(2) (Reissue) para 680. There is, however, no inherent jurisdiction to alter trusts of settlements and minors' interests merely because it would be beneficial to do so: *Re Heyworth's Contingent Reversionary Interest* [1956] Ch 364 at 371, sub nom *Re Heyworth's Settlements* [1956] 2 All ER 21 at 24. The court of Chancery has an ancient jurisdiction to authorise the application of income and, in more limited circumstances, capital but, while the Variation of Trusts Act 1958 does not take away any jurisdiction the court already has, it is more appropriate to proceed under that Act, where possible: *D (a child) v O* [2004] EWHC 1036 (Ch) at [12], 7 ITELR 63 at [12] per Lloyd J.

4 See *Chapman v Chapman* [1954] AC 429 at 457, [1954] 1 All ER 798 at 811, HL. As to what constitutes a compromise of disputed rights for this purpose see *Re Lord Hylton's Settlement, Barclays Bank Ltd v Jolliffe* [1954] 2 All ER 647n, [1954] 1 WLR 1055, CA (where the court approved the proposed scheme); *Re Powell-Cotton's Re-settlement, Henniker-Major v Powell-Cotton* [1956] 1 All ER 60, [1956] 1 WLR 23, CA (where ambiguity in a clause did not entitle the court to substitute a better one).

5 The position considered in the text is that which exists apart from the statutory powers conferred by the Trustee Act 1925 s 57 (see para 1061 post), the Settled Land Act 1925 s 64 (as amended) (see SETTLEMENTS vol 42 (Reissue) paras 671–672) and the Variation of Trusts Act 1958 s 1 (as amended) (see para 1062 et seq post).

6 Ie the Chancery Division of the High Court. The Family Division has express statutory powers under the Matrimonial Causes Act 1973 s 24 (as amended) (see MATRIMONIAL LAW) to alter ante-nuptial or post-nuptial settlements. See also para 667 note 7 ante.

7 *Re Duke of Norfolk's Settlement Trusts, Earl of Perth v Fitzalan-Howard* [1982] Ch 61, [1981] 3 All ER 220, CA.

8 There is a distinction between sanctioning variations for purposes of management or administration of the trust property and sanctioning variations of beneficial trusts: c f *Re New, Re Leavers, Re Morley* [1901] 2 Ch 534 at 544, CA; cited in *Chapman v Chapman* [1954] AC 429 at 453, [1954] 1 All ER 798 at 808–809, HL.

9 *Frith v Cameron* (1871) LR 12 Eq 169; *Re Jackson, Jackson v Talbot* (1882) 21 ChD 786; *Ferguson v Ferguson* (1886) 17 LR Ir 552 at 570, Ir CA; *Conway v Fenton* (1888) 40 ChD 512; *Re Montagu, Derbishire v Montagu* [1897] 1 Ch 685 at 691 et seq per Kekewich J (affd [1897] 2 Ch 8, CA); *Re Hawker's Settled Estates* (1897) 66 LJ Ch 341; *Re Waldegrave, Earl Waldegrave v Earl of Selborne* (1899) 81 LT 632; *Re Legh's Settled Estate* [1902] 2 Ch 274 at 280 per Kekewich J; *Neill v Neill* [1904] 1 IR 513. The court requires to be satisfied of a necessity amounting to actual salvage; and *Re Household, Household v Household* (1884) 27 ChD 553, *Conway v Fenton* supra and *Neill v Neill* supra cannot be relied on as establishing any general principle on which the court would act. For instances in which transactions which did not have the nature of salvage were not sanctioned see *Re De Teissier's Settled Estates, Re De Teissier's Trusts, De Teissier v De Teissier* [1893] 1 Ch 153; *Re Lord de Tabley, Leighton v Leighton* (1896) 75 LT 328; *Re Montagu, Derbishire v Montagu* supra; *Re Willis, Willis v Willis* [1902] 1 Ch 15, CA; *Re Legh's Settled Estates* supra; *Re Tollemache*

[1903] 1 Ch 457 (on appeal [1903] 1 Ch 955 at 956, CA). Where the terms of the trust disposition require the consent of a beneficiary to an act which is required for the safety or benefit of the trust property, the court may direct it to be performed without that consent: *Lechmere v Earl of Carlisle* (1733) 3 P Wms 211 at 220; *Costello v O'Rorke* (1869) IR 3 Eq 172 at 184. In proper cases the court orders costs incurred in proceedings for the preservation of the trust property to be charged on or paid out of the capital of the property: *Re Lord Rivers' Estate* (1874) 16 ChD 588n; *Re Earl De la Warr's Estates* (1881) 16 ChD 587; *Re Ormrod's Settled Estate* [1892] 2 Ch 318 at 325–326. See also para 748 ante.

10 See *Re New, Re Leavers, Re Morley* [1901] 2 Ch 534, CA (trustees authorised to concur in a scheme for the reconstruction of a company); cf *Re Hazeldine, Public Trustee v Hazeldine* [1918] 1 Ch 433 (retention of unauthorised investments for period of war and further six months).

11 See *Chapman v Chapman* [1954] AC 429 at 452–455, [1954] 1 All ER 798 at 808–810, HL.

12 See *Re Walker, Walker v Duncombe* [1901] 1 Ch 879. See also eg *Revel v Watkinson* (1748) 1 Ves Sen 93; *Cavendish v Mercer* (1776) 5 Ves 195n; *Greenwell v Greenwell* (1800) 5 Ves 194; *Errat v Barlow* (1807) 14 Ves 202; *Haley v Bannister* (1820) 4 Madd 275; *Havelock v Havelock, Re Allan* (1881) 17 ChD 807; *Re Collins, Collins v Collins* (1886) 32 ChD 229.

13 As to the propositions stated in the text generally see *Chapman v Chapman* [1954] AC 429 at 451, [1954] 1 All ER 598 at 807–808, HL.

14 *Andrews v M'Guffog* (1886) 11 App Cas 313 at 316, HL, per Lord Watson. Accordingly, in the case of a charitable trust, the court has jurisdiction, where the Attorney General consents or does not object, to authorise by way of scheme proposals such as a proposal to enlarge the scope of permissible investments, which it would have no jurisdiction to do in the case of a private trust: see *Re Royal Society's Charitable Trusts, Royal Society v A-G* [1956] Ch 87, [1955] 3 All ER 14; *Re Royal Naval and Royal Marine Children's Homes, Portsmouth, Lloyds Bank Ltd v A-G* [1959] 2 All ER 716n, [1959] 1 WLR 755; and para 1011 note 3 ante. Cf *Re Campden Charities* (1881) 18 ChD 310, CA (application of fund to education). The Charity Commission has concurrent jurisdiction with the court: see the Charities Act 1993 s 16(1) (as amended); and CHARITIES vol 5(2) (2001 Reissue) para 180.

B. VARIATION UNDER THE TRUSTEE ACT 1925

1061. Jurisdiction under the Trustee Act 1925. The inherent jurisdiction of the court to modify trusts was always sparingly exercised, and after 31 December 1925[1], and more particularly since the passing of the Variation of Trusts Act 1958[2], there can be very few cases in which the need to invoke this power will arise[3].

Under the Trustee Act 1925[4], if in the management or administration[5] of any property vested in trustees any sale[6], lease, mortgage, surrender, release or other disposition, or any purchase, investment, acquisition, expenditure or other transaction, is, in the court's[7] opinion, expedient, but cannot be effected by reason of the absence of any power for that purpose vested in the trustees by the trust instrument, if any, or by law[8], the court may[9] by order confer on the trustees, either generally or in any particular instance, the necessary power for the purpose on such terms, and subject to such provisions and conditions, if any, as the court may think fit, and may direct in what manner any money authorised to be expended, and the costs of any transaction, are to be paid or borne as between capital and income[10]. If the court sanctions such an arrangement, the effect is as if the power conferred for the purpose by the order had been inserted in the trust instrument as an overriding power, and no forfeiture of a protected life interest results from the exercise of the power[11]. Before making an order the court must be satisfied that the transaction in question is expedient for the trust as a whole, and not merely in the interest of one beneficiary[12]. This statutory jurisdiction has often been exercised so as to enable the debts of a tenant for life to be paid out of capital money subject to the recoupment of the money advanced by means of an insurance policy[13], but has also been exercised in relation to transactions of various kinds[14].

The court also has power under this statutory jurisdiction to vary the investment powers conferred by a trust instrument[15].

1 The court was given power to authorise transactions not authorised by the trust instrument under the Trustee Act 1925 s 57: see the text and note 9 infra. As to the court's power to authorise transactions under the Settled Land Act 1925 s 64 (as amended) see SETTLEMENTS vol 42 (Reissue) paras 670–671.

2 The Variation of Trusts Act 1958 received royal assent on 23 July 1958. As to the court's wide powers to vary trusts under the Variation of Trusts Act 1958 see para 1062 et seq post.

3 See *D (a child) v O* [2004] EWHC 1036 (Ch) at [12], 7 ITELR 63 at [12] per Lloyd J.

4 In addition to the statutory jurisdiction under the Trustee Act 1925 s 57, the court has also a jurisdiction to approve a transaction on behalf of a minor under s 53 (see CHILDREN AND YOUNG PERSONS vol 5(3) (Reissue) para 71): see *Re Gower's Settlement* [1934] Ch 365; *Re Heyworth's Settlements* [1956] Ch 364, [1956] 2 All ER 21; *Re Meux, Gilmour v Gilmour* [1958] Ch 154, [1957] 2 All ER 630; *Re Bristol's Settled Estates, Bristol v Jermyn* [1964] 3 All ER 939, [1965] 1 WLR 469; *Re Lansdowne's Will Trusts, Marquis of Lansdowne v Earl of Shelburne* [1967] Ch 603, [1967] 1 All ER 888.

5 As to the limiting effect of the words 'management or administration' see *Municipal and General Securities Co Ltd v Lloyds Bank Ltd* [1950] Ch 212, [1949] 2 All ER 937.

6 In *Re Cockerell's Settlement Trusts, Cockerell v National Provincial Bank Ltd* [1956] Ch 372, [1956] 2 All ER 172, the court authorised the sale of a reversionary interest to avoid estate duty, no alteration of the trusts being required. In *Re Basden's Settlement Trusts, Basden v Basden* [1943] 2 All ER 11, it had been doubted whether the court should assist in the avoidance of taxation. There is no doubt that the court now has power under the Variation of Trusts Act 1958 to sanction schemes the principal object of which is to save tax: see para 1062 note 8 post.

7 For the meaning of 'the court' see para 632 note 3 ante.

8 See *Re Pratt's Will Trusts, Barrow v McCarthy* [1943] Ch 326, [1943] 2 All ER 375; *Municipal and General Securities Co Ltd v Lloyds Bank Ltd* [1950] Ch 212, [1949] 2 All ER 937 (in both of these cases there was a power of sale vested in trustees and the Trustee Act 1925 s 57(1) was held not to apply).

9 The court's power is discretionary: see *Re Basden's Settlement Trusts, Basden v Basden* [1943] 2 All ER 11 (variation refused in a case where no protection of the interest of minors concerned was necessary).

10 Trustee Act 1925 s 57(1). See *Chapman v Chapman* [1954] AC 429, [1954] 1 All ER 798, HL (where Lord Morton agreed obiter with the comments on the Trustee Act 1925 s 57 contained in the majority judgment of the Court of Appeal at [1953] Ch 218, [1953] 1 All ER 103). The court may from time to time rescind or vary any order made under the Trustee Act 1925 s 57, or may make any new or further order: s 57(2). An application to the court may be made by the trustees, or any of them, or any person beneficially interested under the trust: s 57(3). In *Rennie v Proma Ltd and Byng* [1990] 1 EGLR 119 at 123, CA, it was observed that the Trustee Act 1925 s 57 was intended for the protection and benefit of persons who have claims under the trust, not persons who have claims against it. As to the procedure on application to the High Court see para 634 ante; and as to the jurisdiction of county courts and the procedure on application see paras 641–643 ante. The powers conferred by the Trustee Act 1925 are not in any way limited by the Variation of Trusts Act 1958 s 1 (as amended) (see para 1062 et seq post): s 1(6). The application will normally be made by the trustees and the interests of the beneficiaries will generally be considered collectively: see *Anker-Peterson v Anker-Peterson* [2000] WTLR 581 (Ch) (where the court allowed an application by a life tenant for the extension of investment and other powers stating that only exceptionally would such an application need to be made under the Variation of Trusts Act 1958). The Trustee Act 1925 s 57 does not apply to trustees of a settlement for the purposes of the Settled Land Act 1925: Trustee Act 1925 s 57(4). For the corresponding provision under the Settled Land Act 1925 see s 64 (as amended); and SETTLEMENTS vol 42 (Reissue) paras 671–672. In certain circumstances the court has power in the exercise of its jurisdiction under the Trustee Act 1925 s 57 to authorise any expense of action taken or proposed by trustees of land in the management of land subject to a trust of land to be treated as a capital outgoing notwithstanding that in other circumstances that expense could not properly have been so treated: Settled Land and Trustee Acts (Court's General Powers) Act 1943 s 1(1) (amended by the Trusts of Land and Appointment of Trustees Act 1996 s 25(1), Sch 3 para 8). For the meaning of 'management' for this purpose, the circumstances in which the court may make an order, and the matters to which the court must have regard in determining whether to make an order see the Settled Land and Trustee Acts (Court's General Powers) Act 1943 s 1(2), (3), (5) (as amended); and SETTLEMENTS vol 42 (Reissue) para 672. An order may be made notwithstanding that the action in question was taken, or the expense discharged, before the application for the order, and the court may direct such adjustments of accounts and such repayments to be made as appear to the court to be requisite for giving full effect to the purposes of the order: s 1(4).

11 *Re Mair, Richards v Doxat* [1935] Ch 562 at 565–566 per Farwell J. See, however, *Re Salting, Baillie-Hamilton v Morgan* [1932] 2 Ch 57 at 64–65 (where an order had been made authorising the trustees, in default of payment of certain premiums by the owner of a protected life interest, to pay the premiums out of income, and it was held that default by the tenant for life to pay the premiums would cause a forfeiture). As to protective trusts see paras 657 ante, 1063 note 7 post.

12 *Re Craven's Estate, Lloyds Bank Ltd v Cockburn (No 2)* [1937] Ch 431, [1937] 3 All ER 33 (where the court refused to sanction an advance to a tenant for life in order to enable him to become an underwriting member of Lloyd's). See also *Anker-Peterson v Anker-Peterson* [2000] WTLR 581 (Ch).

13 See eg *Re Salting, Baillie-Hamilton v Morgan* [1932] 2 Ch 57; *Re Mair, Richards v Doxat* [1935] Ch 562; *Re Forster's Settlement, Michelmore v Byatt* [1954] 3 All ER 714, [1954] 1 WLR 1450 (where, considering it expedient to do so in the circumstances, the court authorised the expenditure of capital to purchase the life tenant's interest).

14 See eg *Re Hope's Will Trusts, Hope v Thorp* [1929] 2 Ch 136 (sale of 'entailed' chattels which could not be sold under the Law of Property Act 1925 s 130(5) authorised); *Re Thomas, Thomas v Thompson* [1930] 1 Ch 194 (power to partition land conferred); *Re Beale's Settlement Trusts, Huggins v Beale* [1932] 2 Ch 15 (trustees for sale authorised to sell notwithstanding the refusal of a person whose consent was requisite to a sale to give that consent); *Re Harvey, Westminster Bank Ltd v Askwith* [1941] 3 All ER 284 (where there were wills in similar terms to provide a charitable home, and the trustees were authorised to blend the trust funds for that purpose).

15 See para 1011 ante.

C. VARIATION UNDER THE VARIATION OF TRUSTS ACT 1958

1062. Jurisdiction of the court to vary trusts. Where property, whether real or personal, is held on trusts arising[1] under any will, settlement or other disposition, the court[2], if it thinks fit, may by order approve[3] on behalf of any of certain persons[4] any arrangement[5] (by whomsoever proposed, and whether or not there is any other person beneficially interested who is capable of assenting to it) varying[6] or revoking all or any of the trusts[7], or enlarging the powers of the trustees of managing or administering any of the property subject to the trusts[8]. The court's jurisdiction is not confined to settlements made in England or Wales[9]. It also has power under these provisions to vary the investment powers contained in a trust instrument[10]. Apart from one exception[11], the court must not, however, approve an arrangement on behalf of any person unless the carrying out of that arrangement would be for the benefit[12] of that person[13]. The court is prepared to take, on behalf of those for whom its approval is sought, the kind of risk which an adult beneficiary of full capacity might well be prepared to take on his own behalf[14]. It will not approve an arrangement which is contrary to public policy[15]. The court may make an order even though there may be persons with potential interests in the estate who are not parties and who will not be bound by the order[16].

These provisions do not apply to trusts affecting property settled by Act of Parliament[17].

1 The Variation of Trusts Act 1958 applies to trusts whether arising before or after the passing of that Act: s 1(1).

2 The jurisdiction is generally exercisable by the High Court (see ibid s 1(3) (amended by the County Courts Act 1959 s 204, Sch 3; and the Mental Health Act 1983 s 148, Sch 4 para 14; and further amended as from 1 October 2007 by the Mental Capacity Act 2005 s 67(1), Sch 6 para 9(a)); and paras 632, 634 ante), or, where the fund subject or alleged to be subject to the trust does not exceed in amount or value the county court limit (see para 641 note 2 ante), by a county court (see the County Courts Act 1984 s 23(b); and para 641 ante). The power of the parties by agreement to confer jurisdiction on the county court under s 24 (as amended) (see para 641 note 4 ante) where the fund exceeds the county court limit does not apply to proceedings under the Variation of Trusts Act 1958 s 1 (as amended): County Courts Act 1984 s 24(3). As to jurisdiction where persons suffering from a mental disorder are concerned see para 1063 note 2 post.

3 The variation results from an arrangement between the beneficiaries, of which the court order, approving and consenting on behalf of incapable beneficiaries, forms a part: see *Re Viscount Hambleden's Will Trusts* [1960] 1 All ER 353n, [1960] 1 WLR 82; *IRC v Holmden* [1968] AC 685 at 701, 710, 713, [1968] 1 All ER 148 at 151, 156–157, 159, HL; *Re Holt's Settlement, Wilson v Holt* [1969] 1 Ch 100 at 108–118, [1968] 1 All ER 470 at 472–476; *Re Ball's Settlement* [1968] 2 All ER 438 at 442–443, [1968] 1 WLR 899 at 905; *Spens v IRC* [1970] 3 All ER 295 at 300–301, [1970] 1 WLR 1173 at 1883–1884. The role of the court is not to stand in for the settlor. The court acts on behalf of the specified class and supplies consent for persons incapable of consenting: *Goulding v James* [1997] 2 All ER 239, CA, at 247 per Mummery J. In deciding whether to approve an arrangement, the court is not confined to inquiring into the effect of a proposed scheme on those on whose behalf approval is sought, but will regard the proposed arrangement as a whole in the light of the purpose of the trust as shown by the trust instrument and any other relevant evidence available: *Re Steed's Will Trusts, Sandford v Stevenson* [1960] Ch 407, [1960]

1 All ER 487, CA; *Re Burney's Settlement Trusts* [1961] 1 All ER 856, [1961] 1 WLR 545. See also *Re Lister's Will Trusts* [1962] 3 All ER 737, [1962] 1 WLR 1441; *Re Munro's Settlement Trusts* [1963] 1 All ER 209, [1963] 1 WLR 145; *Re Michelham's Will Trusts* [1964] Ch 550, [1963] 2 All ER 188. The court will not approve an arrangement merely in order to cover a defect in the trust instrument: see *Re Tinker's Settlement* [1960] 3 All ER 85n, [1960] 1 WLR 1011 (possible claim for rectification held to be very weak). In deciding whether to approve a proposed arrangement involving the creation of discretionary trusts, the court may take into account indications of the manner in which they are intended to be exercised: see *Re Druce's Settlement Trusts* [1962] 1 All ER 563 at 567, [1962] 1 WLR 363 at 369 per Russell J (where the court approved an arrangement even though the approximation of the beneficial interest under the arrangement to those under the original trusts depended on the manner of exercise of discretionary powers conferred on trustees).

4 As to the persons on whose behalf orders may be made see para 1063 post.

5 'Arrangement' is used in the widest sense so as to cover any proposal which any person may put forward for varying or revoking the trusts: *Re Steed's Will Trusts* [1960] Ch 407 at 419, [1960] 1 All ER 487 at 492, CA, per Lord Evershed MR. See also *Re T's Settlement Trusts* [1964] Ch 158 at 162, sub nom *Re Towler's Settlement Trusts* [1963] 3 All ER 759 at 762 per Wilberforce J; *Re Ball's Settlement* [1968] 2 All ER 438 at 442, [1968] 1 WLR 899 at 905 per Megarry J.

6 One set of trusts may be replaced by another so long as the substratum of the original trusts remains: *Re Ball's Settlement* [1968] 2 All ER 438, [1968] 1 WLR 899.

7 Where a special power of appointment was exercised as a preliminary step to a proposed arrangement, with the genuine intention of benefiting the objects of the power, there was held to be no fraud on the power, even though an advantage might accrue to the appointor, and the arrangement was approved: *Re Robertson's Will Trusts* [1960] 3 All ER 146n, [1960] 1 WLR 1050. Cf *Re Brook's Settlement, Brook v Brook* [1968] 3 All ER 416, [1968] 1 WLR 1661. As to frauds on powers of appointment see POWERS vol 36(2) (Reissue) para 364 et seq. The court has jurisdiction to approve an arrangement revoking all the trusts of an English settlement in the event of the trust property becoming subject to the trusts of a settlement which would be recognised and enforced in some other jurisdiction: *Re Seale's Marriage Settlement* [1961] Ch 574, [1961] 3 All ER 136; *Re Windeatt's Will Trusts* [1969] 2 All ER 324, [1969] 1 WLR 692; *Re Chamberlain, Blanc v Blanc* (9 May 1976, unreported). See also Morcom 'Trust Exporting' (1976) 126 NLJ 1034.

8 See the Variation of Trusts Act 1958 s 1(1). The Variation of Trusts Act 1958 has been viewed as a statutory extension of the consent principle embodied in the rule in *Saunders v Vautier* (1841) 4 Beav 115 (see paras 749–750 ante): see *Goulding v James* [1997] 2 All ER 239 at 247, CA, per Mummery LJ. An arrangement has been approved under the Variation of Trusts Act 1958 which had previously been before the court when it was held that the court had not then jurisdiction: see *Re Chapman's Settlement Trusts (No 2)* [1959] 2 All ER 47n, [1959] 1 WLR 372; cf *Chapman v Chapman* [1954] AC 429, [1954] 1 All ER 798, HL. The power to vary trusts conferred by the Variation of Trusts Act 1958 may be exercised even though the main purpose or one of the purposes of the proposed arrangement is the reduction of tax payable: see *Re Chapman's Settlement Trusts (No 2)* supra; *Re Clitheroe's Settlement Trusts* [1959] 3 All ER 789, [1959] 1 WLR 1159; *Re Tinker's Settlement* [1960] 3 All ER 85n, [1960] 1 WLR 1011; *Re Druce's Settlement Trusts* [1962] 1 All ER 563, [1962] 1 WLR 363; *Re Holmden's Settlement Trusts, Holmden v IRC* [1966] Ch 511, [1966] 2 All ER 661, CA (affd sub nom *IRC v Holmden* [1968] AC 685, [1968] 1 All ER 148, HL); *Re Drewe's Settlement, Drewe v Westminster Bank Ltd* [1966] 2 All ER 844n, [1966] 1 WLR 1518; *Re Sainsbury's Settlement, Sainsbury v First CB Trustee Ltd* [1967] 1 All ER 878, [1967] 1 WLR 476; *Re Lloyd's Settlement, Lloyd v Leeper* [1967] 2 All ER 314n, [1967] 2 WLR 1078; but see *Re Weston's Settlements, Weston v Weston* [1969] 1 Ch 223, [1968] 1 All ER 720 (affd on different grounds [1969] 1 Ch 223, [1968] 3 All ER 338, CA). See also *Thomson v Thomson and Whitmee* [1954] P 384, [1954] 2 All ER 462. Although it is relevant for the court to consider the views of the trustees as to the proposed arrangement, whether they do or do not approve the arrangement is not conclusive: *Re Steed's Will Trusts* [1960] Ch 407, [1960] 1 All ER 487, CA. In the absence of bad faith or some other special circumstances showing grave misdirection of themselves on the part of the trustees, the court ought not to interfere with the exercise of a discretion entrusted to the trustees: *Re Steed's Will Trusts* supra. In many cases the intentions and wishes of the testator or settlor carry little, if any, weight: *Goulding v James* supra; *Re Weston's Settlements* [1969] 1 Ch 223, [1968] 3 All ER 338, CA; *Re Remnant's Settlement Trusts, Hooper v Wenhasten* [1970] Ch 560, [1970] 2 All ER 554, CA. The provisions contained in the Variation of Trusts Act 1958 s 1 (as amended) are not to be treated as limiting the powers conferred by the Settled Land Act 1925 s 64 (as amended) (see SETTLEMENTS vol 42 (Reissue) paras 671–672), the Trustee Act 1925 s 57 (see para 1061 ante), the powers of the authority having jurisdiction under the Mental Health Act 1983 Pt VII (ss 93–113) (as amended) or, as from 1 October 2007, the powers of the Court of Protection (see MENTAL HEALTH vol 30(2) (Reissue) para 749 et seq): Variation of Trusts Act 1958 s 1(6) (amended as from 1 October 2007 by the Mental Capacity Act 2005 s 67(1), Sch 6 para 9(b)).

9 *Re Ker's Settlement Trusts* [1963] Ch 553, [1963] 1 All ER 801 (Northern Ireland settlement); *Re Paget's Settlement, Baillie v De Brossard* [1965] 1 All ER 58, [1965] 1 WLR 1046 (trust administered in the United States of America).

10 See para 1011 ante.

11 The exception relates to persons falling within the Variation of Trusts Act 1958 s 1(1)(d), i e persons with contingent discretionary interests under protective trusts where the interest of the protected principal beneficiary has not failed or determined (see para 1063 post): see s 1(1) proviso. Accordingly, the court need not be satisfied that a proposed arrangement confers any benefit upon those persons; but this does not mean that their interests can be disregarded altogether: *Re Burney's Settlement Trusts* [1961] 1 All ER 856 at 858, [1961] 1 WLR 545 at 549 per Wilberforce J.

12 'Benefit' includes benefits of any kind including educational and social benefits: *Re Holt's Settlement, Wilson v Holt* [1969] 1 Ch 100, [1968] 1 All ER 470; *Re Weston's Settlements, Weston v Weston* [1969] 1 Ch 223, [1968] 3 All ER 338, CA (where the court refused to approve the discharge of trust property from an English trust and its transfer to Jersey on substantially the same terms); *Re CL* [1969] 1 Ch 587, [1968] 1 All ER 1104. See also *Re Remnant's Settlement Trusts, Hooper v Wenhaston* [1970] Ch 560, [1970] 2 All ER 554; cf *Re Tinker's Settlement* [1960] 3 All ER 85n, [1960] 1 WLR 1011. As to the determination of the question whether a proposed arrangement would be for the benefit of a person incapable of assenting to it by reason of mental disorder (or, as from 1 October 2007, lacking capacity to make a decision within the meaning of the Mental Capacity Act 2005 s 2) see para 1063 note 2 post.

13 Variation of Trusts Act 1958 s 1(1) proviso. This is the only fetter on the court's discretion in deciding whether or not to approve an arrangement: *Goulding v James* [1997] 2 All ER 239 at 249, CA. See *Re Clitheroe's Settlement Trusts* [1959] 3 All ER 789, [1959] 1 WLR 1159; *Re Bristol's Settled Estates, Bristol v Jermyn* [1964] 3 All ER 939, [1965] 1 WLR 469; *Re Cohen's Settlement Trusts, Eliot-Cohen v Cohen* [1965] 3 All ER 139, [1965] 1 WLR 1229.

14 *Re Cohen's Will Trusts, Re Cohen's Settlement Trusts* [1959] 3 All ER 523, [1959] 1 WLR 865; *Re Robinson's Settlement Trusts, Heard v Heard* [1976] 3 All ER 671, [1976] 1 WLR 806.

15 *Re Michelham's Will Trusts* [1964] Ch 550, [1963] 2 All ER 188.

16 *Re Suffert's Settlement, Suffert v Martyn-Linnington* [1961] Ch 1, [1960] 3 All ER 561; *Re Hall's Will Trusts, Hall v Mullan* [1985] NI 118.

17 Variation of Trusts Act 1958 s 1(5). The exclusion does not extend to property settled under the Administration of Estates Act 1925 on intestacy: see *S v T1* [2006] WTLR 1461 (Ch) (where the court varied the terms of the statutory trusts).

1063. Persons on whose behalf the court may exercise jurisdiction. The persons on whose behalf the court may approve an arrangement[1] are:

(1) any person having, directly or indirectly, an interest, whether vested or contingent, under the trusts who by reason of minority or other incapacity is incapable of assenting[2]; or

(2) any person, whether ascertained or not, who may become entitled, directly or indirectly, to an interest under the trusts as being at a future date or on the happening of a future event a person of any specified description or a member of any specified class of persons; but a person is not included for this purpose who would be of that description, or a member of that class, as the case may be, if the date had fallen or the event had happened at the date of the application to the court[3]; or

(3) any person unborn[4]; or

(4) any person[5] in respect of any discretionary interest[6] of his under protective trusts[7] where the interest of the principal beneficiary[8] has not failed or determined[9].

1 Ie under the Variation of Trusts Act 1958 s 1(1): see para 1062 ante.

2 Ibid s 1(1)(a). If a person is a patient within the meaning of the Mental Health Act 1983 Pt VII (ss 93–113) (as amended; prospectively repealed) or as from 1 October 2007 lacks capacity to make a decision within the meaning of the Mental Capacity Act 2005 s 2 (see MENTAL HEALTH vol 30(2) (Reissue) para 641), the question of whether the carrying out of any arrangement would be for his benefit is to be determined by the Court of Protection: Variation of Trusts Act 1958 s 1(3) (amended as from 1 October 2007 by the Mental Capacity Act 2005 s 67(1), Sch 6 para 9(a)). Cf para 1064 note 3 post. The costs of an application to determine whether an arrangement would be for the benefit of a patient or person lacking capacity have been held to be payable out of the trust estate: *Re Sanderson's*

Settlement Trusts [1961] 1 All ER 25n, [1961] 1 WLR 36. It is for the benefit of the patient or person lacking capacity for the court to do what he would have done if of full capacity: *Re CL* [1969] 1 Ch 587, [1968] 1 All ER 1104.

3 Variation of Trusts Act 1958 s 1(1)(b). As to who is included in the first part of s 1(1)(b) see *Knocker v Youle* [1986] 2 All ER 914, [1986] 1 WLR 934 (a person who has an actual interest under a trust, however remote, cannot properly fall within the definition of a person who 'may become entitled' to an interest). As to who is excluded under the second part see *Re Suffert's Settlement, Suffert v Martyn-Linnington* [1961] Ch 1, [1960] 3 All ER 561; *Re Moncrieff's Settlement Trusts* [1962] 3 All ER 838n, [1962] 1 WLR 1344. As to the date of the application to the court see *Re Suffert's Settlement, Suffert v Martyn-Linnington* supra at 5 and 563 per Buckley J (where it was held that a court order would not bind any potential statutory next of kin then in existence, but would bind any person not then in existence who might become entitled in the future on the applicant's death as then being one of her statutory next of kin); *Knocker v Youle* supra; but see Underhill and Hayton *Law relating to Trusts and Trustees* (17th Edn, 2007) p 627.

4 Variation of Trusts Act 1958 s 1(1)(c). See *Goulding v James* [1997] 2 All ER 239, CA.

5 'Any person' includes an unborn or unascertained person: *Re Turner's Will Trusts, Bridgman v Turner* [1960] Ch 122, [1959] 2 All ER 689.

6 For these purposes, 'discretionary interest' means an interest arising under the trust specified in the Trustee Act 1925 s 33(1)(ii) (see SETTLEMENTS vol 42 (Reissue) para 917) or any like trust: Variation of Trusts Act 1958 s 1(2).

7 For these purposes, 'protective trusts' means the trusts specified in the Trustee Act 1925 s 33(1)(i), (ii) (see SETTLEMENTS vol 42 (Reissue) para 917) or any like trusts: Variation of Trusts Act 1958 s 1(2). 'Like' requires not identity but similarity, and similarity in substance suffices without the need of similarity in form or detail or wording: *Re Wallace's Settlements* [1968] 2 All ER 209, [1968] 1 WLR 711. For cases where protective trusts have been varied see *Re Poole's Settlements' Trusts, Poole v Poole* [1959] 2 All ER 340, [1959] 1 WLR 651; *Re Robertson's Will Trusts* [1960] 3 All ER 146n, [1960] 1 WLR 1050; *Re Burney's Settlement Trusts* [1961] 1 All ER 856, [1961] 1 WLR 545. Cf *Re Steed's Will Trusts* [1960] Ch 407, [1960] 1 All ER 487, CA (where in the particular circumstances the court refused to approve the enlargement of a protected life interest into an absolute interest).

8 For these purposes, 'the principal beneficiary' means any person for whose benefit income, including an annuity or other periodical income payment, is directed to be held on protective trusts: Trustee Act 1925 s 33(1); definition applied by the Variation of Trusts Act 1958 s 1(2).

9 Ibid s 1(1)(d).

1064. Application to the court. An application to the High Court or a county court, where the county court has jurisdiction[1], under the Variation of Trusts Act 1958[2] for the variation of the terms of a trust should ordinarily be begun by using the Part 8 procedure[3].

Where the application is for the approval of an arrangement for the variation of beneficial interests, in general the beneficiaries, and not the trustees, should be the applicants, unless the trustees are satisfied that the proposed arrangement is beneficial to the beneficiaries and that no beneficiary is willing to make the application[4].

1 As to the jurisdiction of the county court see the County Courts Act 1984 s 23(b); and paras 641–643 ante.

2 Ie under the Variation of Trusts Act 1958 s 1 (as amended): see paras 1062–1063 ante. Proceedings under s 1 (as amended) are assigned to the Chancery Division: see CPR 64.1(3); and para 634 ante.

3 See CPR 64.3; and para 643 ante. As to an arrangement for the benefit of a patient within the meaning of the Mental Health Act 1983 Pt VII (ss 93–113) (as amended; prospectively repealed) or, as from 1 October 2007, a person lacking capacity to make a decision within the meaning of the Mental Capacity Act 2005 s 2 see MENTAL HEALTH vol 30(2) (Reissue) paras 641, 722.

4 See *Re Druce's Settlement Trusts* [1962] 1 All ER 563 at 568, [1962] 1 WLR 363 at 370–371.

1065. Parties, evidence and hearing. In a claim under the Variation of Trusts Act 1958 any person who created the trust[1] or provided property for the purposes of the trusts in question must, if still alive, be made a party to the claim[2]. The function of the trustees is that of watchdog for the unborn and unascertained[3]. All persons whose interests would be affected by the proposed arrangement should be joined even if they are members of a hypothetical class[4].

The reasons for the claimant's request that the trusts be varied should be given in an affidavit[5].

As a general rule applications under the Variation of Trusts Act 1958, and all applications under that Act or otherwise for the variation of investment clauses, should be heard in open court so as to secure uniformity of practice[6], and all interests which it is sought to bind and on whose behalf the court's approval is asked should be represented by counsel[7].

1 The intentions and wishes of the settlor do not have any special significance: see *Goulding v James* [1997] 2 All ER 239 at 251, CA, per Mummery LJ.

2 CPR 64.4(2). In such a claim: (1) all the trustees much be parties; (2) if the claim is being made by trustees, any of them who does not consent to being a claimant must be made a defendant; and (3) the claimant may make parties to the claim any persons with an interest in or claim against the estate, or an interest under the trust, who it is appropriate to make parties having regard to the nature of the order sought: CPR 64.4(1).

3 *Re Druce's Settlement Trusts* [1962] 1 All ER 563, [1962] 1 WLR 363; *Re Munro's Settlement Trusts* [1963] 1 All ER 209, [1963] 1 WLR 145; *Goulding v James* [1997] 2 All ER 239, CA. Beneficiaries who are minors need not be joined as parties if there is little likelihood of their attaining any interest under the trust and their interests can adequately be protected by the trustees: *Re Moncrieff's Settlement Trusts* [1962] 3 All ER 838n, [1962] 1 WLR 1344. If minors are joined as defendants, it is for their guardians (formerly known as guardians ad litem) (see CHILDREN AND YOUNG PERSONS vol 5(3) (Reissue) para 460) to watch over their interests: *Re Whittall, Whittall v Faulkner* [1973] 3 All ER 35, [1973] 1 WLR 1027.

4 *Re Suffert's Settlement, Suffert v Martyn-Linnington* [1961] Ch 1, [1960] 3 All ER 561 (where persons who would be the next of kin of a living person if that person had died on the date of the issue of the originating summons were not joined and were held not to be bound by the court's order). See also *Re Clarke's Will Trusts* [1961] 3 All ER 1133, [1961] 1 WLR 1471 (where an order was made approving an arrangement on behalf of persons interested other than two defendants who were minors and who had not been served). Persons who could only have become interested by the exercise of a power of appointment which has been released need not be joined: *Re Christie-Miller's Settlement Trust, Westminster Bank Ltd v Christie-Miller* [1961] 1 All ER 855n, [1961] 1 WLR 462.

5 Claimants must state reasons: *Re Oakes' Settlement Trusts* [1959] 2 All ER 58, [1959] 1 WLR 502. Trustees and advisers should, before filing extrinsic evidence of a testator's or settlor's intentions, wishes and motives, consider its relevance and whether there is a risk that irrelevant and possibly inflammatory collateral issues will be raised thereby adding unnecessarily to costs: see *Goulding v James* [1997] 2 All ER 239 at 244–245 per curiam Mummery J. As to the evidence required where a personal covenant is offered in compensation for loss of a possible interest under discretionary trusts see *Re Clitheroe's Settlement Trusts* [1959] 3 All ER 789, [1959] 1 WLR 1159; and as to the evidence required on an application for the approval of a variation of investment powers see para 1011 ante. Where protective trusts were sought to be varied, it was held that evidence, including evidence of the financial position of the principal beneficiary and her spouse, must be provided to show to what extent the protective trusts continued to serve any useful purpose: *Re Baker's Settlement Trusts* [1964] 1 All ER 482n, [1964] 1 WLR 336n.

6 If there is a good reason, e g in order to avoid unnecessary publicity, an application may always be made for the matter to be heard in chambers: *Re Rouse's Will Trusts* [1959] 2 All ER 47n at 51, [1959] 1 WLR 372 at 374–375 per Vaisey J. See para 643 ante.

7 *Re Chapman's Settlement Trusts (No 2)* [1959] 2 All ER 47n at 49, [1959] 1 WLR 372 at 374; *Re Rouse's Will Trusts* [1959] 2 All ER 47n at 51, [1959] 1 WLR 372 at 374–375. See also *Re Byng's Will Trusts* [1959] 2 All ER 47n, [1959] 1 WLR 375. Where there is no conflict of interest, the trustees should represent those who are not able to be before the court: *Re Rouse's Will Trusts* supra at 51 and 374–375 per Vaisey J. A representation order in respect of unborn issue who might become beneficially interested was refused in *Re Byng's Will Trusts* supra. Persons who are not sui juris should in general be separately and exclusively represented by their own counsel as their interests may well not coincide with the interests of adult beneficiaries who can themselves consent to an arrangement: *Re Whigham's Settlement Trusts, Whigham v Johnston* [1971] 2 All ER 568n, [1971] 1 WLR 831n. Evidence must normally be before the court to show that the litigation friends or trustees support the arrangement as being for the benefit of the minor or unascertained beneficiaries and will generally be in the form of a written opinion: see Chancery Guide (2005) para 26.33.

1066. Form and effect of order. An order made under the Variation of Trusts Act 1958 should be so expressed as to show that it was made under that Act, and normally takes the form of approving an arrangement set out in a schedule[1]. As the Act

only empowers the court to give a binding consent to the arrangement on behalf of those unable to give it themselves, the variation is effected not by the court but by the consent of all parties[2]. The variation takes effect as soon as the court order is made without any further instrument[3], and the order may be liable to stamp duty[4]. Where the original trust was declared by will or settlement, a note or memorandum of the order should be indorsed on the probate or settlement[5].

1 See *Re Chapman's Settlement Trusts (No 2)* [1959] 2 All ER 47n at 49, [1959] 1 WLR 372 at 374; *Re Coates' Will Trusts* [1959] 2 All ER 47n at 54, [1959] 1 WLR 375 at 379; *Re Byng's Will Trusts* [1959] 2 All ER 47n at 57, [1959] 1 WLR 375 at 383; *Re Rouse's Will Trusts* [1959] 2 All ER 47n at 51, [1959] 1 WLR 372 at 374–375. For the forms appropriate where the Attorney General is a party and does not raise objection see *Re Longman's Settlement Trusts, Talbot v Longman* [1962] 2 All ER 193n, [1962] 1 WLR 455.

2 *Re Viscount Hambleden's Will Trusts* [1960] 1 All ER 353n, [1960] 1 WLR 82; *IRC v Holmden* [1968] AC 685 at 701, 710, 713, [1968] 1 All ER 148 at 151, 156–157, 159, HL; *Re Ball's Settlement* [1968] 2 All ER 438 at 442–443, [1968] 1 WLR 899 at 905; *Re Holt's Settlement, Wilson v Holt* [1969] 1 Ch 100, [1968] 1 All ER 470; *Spens v IRC* [1970] 3 All ER 295 at 300–301, [1970] 1 WLR 1173 at 1183–1184. The old trusts are replaced and the perpetuity period begins to run anew: *Re Holt's Settlement, Wilson v Holt* supra.

3 *Re Holt's Settlement, Wilson v Holt* [1969] 1 Ch 100, [1968] 1 All ER 470.

4 As to stamp duty see the Chancery Guide (2005) para 26.36 (the maximum duty on duplicate orders is 50p). See generally STAMP DUTIES AND STAMP DUTY RESERVE TAX.

5 *Re Rouse's Will Trusts* [1959] 2 All ER 47n at 51, [1959] 1 WLR 372 at 375; *Re Byng's Will Trusts* [1959] 2 All ER 47n at 57, [1959] 1 WLR 375 at 383.

(iii) Administration and Enforcement of Trusts by the Court

A. THE JURISDICTION AND ITS EXERCISE

1067. Interference by the court in administration of trust. Under its inherent jurisdiction a court of equity[1] will interfere in the management and administration of a trust[2] where there is no trustee to carry it on[3], or where the trustee wrongfully declines to act[4] or is acting improperly[5], or where difficulties have arisen which cannot be removed without the assistance of the court[6], or where the decision of the court on a doubtful question connected with the trust or on its proper administration is sought by the trustee[7] or by the beneficiary[8]. The court does not, however, interfere:

(1) to enforce the exercise of a power in a particular way by a trustee where he has been given an absolute discretion respecting it and he is not exercising that discretion wrongly or unreasonably[9]; or

(2) to control his action or discretion in any other way, unless he acts improperly[10]; or

(3) where the proceedings for obtaining administration by the court are vexatiously or unnecessarily instituted[11].

1 As to the courts having jurisdiction in relation to trusts see paras 632 et seq ante, 1070 post.

2 As to the effect of administration by the court on the powers of a trustee see para 979 ante. As to the administration in court of a trust fund in which a foreign sovereign is interested see *Morgan v Larivière* (1875) LR 7 HL 423; *United States of America and Republic of France v Dollfus Mieg & Cie SA and Bank of England* [1952] AC 582 at 617–618, [1952] 1 All ER 572 at 588–589, HL; *Rahimtoola v Nizam of Hyderabad* [1958] AC 379, [1957] 3 All ER 441, HL.

3 See para 807 ante.

4 *Tempest v Lord Camoys* (1882) 21 ChD 571 at 579, CA, per Brett LJ, and at 580 per Cotton LJ. The court will compel a trustee to exercise in one way or another a discretion committed to him, where he declines to do so: *Lord Milsington v Earl of Mulgrave* (1818) 3 Madd 491; *Mortimer v Watts* (1852) 14 Beav 616; *Luther v Bianconi* (1860) 10 I Ch R 194. A court may see to the execution of discretionary trusts by appointing new trustees, or by authorising or directing representative persons of the classes of

beneficiaries to prepare a scheme of distribution, or even, should the proper basis for distribution appear, by itself directing the trustees so to distribute: *McPhail v Doulton* [1971] AC 424 at 457, [1970] 2 All ER 228 at 247, HL, per Lord Wilberforce.

5 *Tempest v Lord Camoys* (1882) 21 ChD 571, CA; *Re Earl of Radnor's Will Trusts* (1890) 45 ChD 402 at 405, CA, per Chitty J. As to an injunction against a trustee exercising his powers improperly see para 974 ante; and INJUNCTIONS vol 24 (Reissue) para 922.

6 *De Quetteville v De Quetteville, Re De Quetteville* (1903) 19 TLR 383, CA.

7 *Talbot v Earl of Radnor* (1834) 3 My & K 252; *Barker v Peile* (1865) 2 Drew & Sm 340; *Hurst v Hurst* (1874) 9 Ch App 762. See e g *Breadner v Granville-Grossman* [2001] Ch 523, [2000] 4 All ER 705 (where the trustees asked the court to determine for whom the trust fund was held). See also paras 1057 ante, 1075 post.

8 *Smallwood v Rutter* (1851) 9 Hare 24. See also paras 953 ante, 971 post.

9 *Gisborne v Gisborne* (1877) 2 App Cas 300, HL; *Tabor v Brooks* (1878) 10 ChD 273; *Marquis of Camden v Murray* (1880) 16 ChD 161; *Tempest v Lord Camoys* (1882) 21 ChD 571, CA; *Re Burrage, Burningham v Burrage* (1890) 62 LT 752; *Re Bryant, Bryant v Hickley* [1894] 1 Ch 324; *Re Brockbank, Ward v Bates* [1948] Ch 206, [1948] 1 All ER 287; *Re Whichelow, Bradshaw v Orpen* [1953] 2 All ER 1558, [1954] 1 WLR 5; *Edge v Pensions Ombudsman* [1998] Ch 512, [1998] 2 All ER 547 (affd [2000] Ch 602, [1999] 4 All ER 546, CA); and see *Turner v Turner* [1984] Ch 100, [1983] 2 All ER 745. 'Discretion' in honest plain language means 'do as you like': *Re Norrington, Brindley v Partridge* (1879) 13 ChD 654 at 659, CA, per Bacon V-C.

10 *Brophy v Bellamy* (1873) 8 Ch App 798; *Bethell v Abraham* (1873) LR 17 Eq 24; *Gisborne v Gisborne* (1877) 2 App Cas 300, HL; *Re Blake, Jones v Blake* (1885) 29 ChD 913, CA; *Re Bryant, Bryant v Hickley* [1894] 1 Ch 324; *Train v Clapperton* [1908] AC 342, HL; *Re Knolly's Trusts, Saunders v Haslam* [1912] 2 Ch 357, CA; *Re Charteris, Charteris v Biddulph* [1917] 2 Ch 379, CA; *Re Steed's Will Trusts, Sandford v Stevenson* [1960] Ch 407, [1960] 1 All ER 487, CA; but see *Re Hodges, Davey v Ward* (1878) 7 ChD 754; *Re Roper's Trusts* (1879) 11 ChD 272; *Klug v Klug* [1918] 2 Ch 67. See also *Re D'Epinoix's Settlement, D'Epinoix v Fettes* [1914] 1 Ch 890. As to the fiduciary obligations of a trustee who has a mere power vested in him see *Re Hay's Settlement Trusts* [1981] 3 All ER 786 at 792–793, [1982] 1 WLR 202 at 208–209. As to grounds on which the court will hold the exercise of a discretionary power to be invalid see paras 976–977 ante.

11 *Re Cabburn, Gage v Rutland* (1882) 46 LT 848. If a trustee institutes proceedings for administration when he might have paid the fund into court or adopted some other less costly procedure, he may be deprived of or ordered to pay the extra costs occasioned by the course which he has taken: *Wells v Malbon* (1862) 31 Beav 48.

1068. Enforcement of duty. If a trustee wilfully refuses to do an act which it is his duty to do in his position of trustee, he can be compelled by a court of equity to do it[1], and may be ordered to pay the costs of any legal proceedings rendered necessary by his refusal[2]. Alternatively, he may be removed and a new trustee appointed to carry out the duties attached to the trusteeship[3].

1 *Lord Milsington v Earl of Mulgrave* (1818) 3 Madd 491; *Ouchterlony v Lord Lynedoch* (1830) 7 Bli NS 448, HL; *Mortimer v Watts* (1852) 14 Beav 616; *Re Burrage, Burningham v Burrage* (1890) 62 LT 752 at 753 per Chitty J. If, however, under the terms of the trust, the trustee has a discretion as to the time or manner of doing the act, the court does not interfere with the exercise in good faith of that discretion: *Tempest v Lord Camoys* (1882) 21 ChD 571, CA; *Re Burrage, Burningham v Burrage* supra. As to injunctions to restrain breaches of trust see INJUNCTIONS vol 24 (Reissue) para 922.

2 *Jones v Lewis* (1786) 1 Cox Eq Cas 199; *Southwell v Martin* (1869) 21 LT 135; *Re Chapman, Freeman v Parker* (1894) 72 LT 66, CA; *Bowen-Jones v Bowen-Jones* [1986] 3 All ER 163, [1986] NLJ Rep 894. See also para 1110 post.

3 See *McPhail v Doulton* [1971] AC 424 at 457, [1970] 2 All ER 228 at 247, HL, per Lord Wilberforce.

1069. Order for payment into court. Where it is necessary or expedient for the preservation of the trust estate or the due performance of the trust, the court may order the trust fund to be paid into court[1].

1 *Freeman v Fairlie* (1812) 3 Mer 29; *Whitmarsh v Robertson* (1840) 4 Beav 26; *Bartlett v Bartlett* (1845) 4 Hare 631; *Ross v Ross* (1849) 12 Beav 89; *Wilton v Hill* (1852) 2 De GM & G 807; *Marryat v Marryat* (1854) 23 LJ Ch 876; *Hamond v Walker* (1857) 3 Jur NS 686; *Whitmore v Turquand* (1860) 1 John & H 296; *Talbot v Marshfield* (1864) 2 Drew & Sm 285; *Symonds v Jenkins* (1876) 34 LT 277; *Porrett v White* (1885) 31 ChD 52, CA (but see *Re Wright, Kirke v North* [1895] 2 Ch 747); *Re Carr's Trusts, Carr v Carr* [1904]

1 Ch 792, CA. Cf EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) paras 732, 734. A trust fund may be ordered to be paid into court even though some of the persons interested in the money are not before the court: *Wilton v Hill* supra. A trust fund lent under a power in the instrument of trust was ordered to be paid into court on the representation of the trustees that it was in danger: *Payne v Collier* (1790) 1 Ves 170; and see *Foster v Hewitt* (1837) 1 Jur 839. The existence of a discretionary power in the trustee is not a bar to an order for the payment of the trust fund into court, but the circumstance that such a power is on the point of being exercised may cause the court to refrain from directing that payment: *Talbot v Marshfield* supra. As to payment into court by trustees, the court's power to order payment in where the majority of the trustees are desirous of paying in but the concurrence of others cannot be obtained, and the procedure relating to payment into court see para 917 et seq ante.

1070. Power to obtain court's intervention. Any trustee or beneficiary has a right to seek or require the intervention of the court[1], but, if the proceedings are unnecessary, the trustee[2] or beneficiary may be refused his costs, or may be condemned to pay the costs of the proceedings[3]. By appropriate language, the creator of the trust may restrain a beneficiary from instituting vexatious proceedings, on pain of forfeiting his interest in the trust property[4].

1 As to the right to apply to the court for directions see para 1057 ante. As to grounds on which the court will hold the exercise of a discretionary power to be invalid see paras 976–977 ante. A beneficiary interested in remainder in part of a trust fund may institute proceedings for administering the trust and require the fund to be brought into court: *Bartlett v Bartlett* (1845) 4 Hare 631; *Governesses' Benevolent Institution v Rusbridger* (1854) 18 Beav 467. A person claiming adversely to a trust cannot be made a party to a suit for its execution: *A-G v Avon (or Aberavon) Corpn* (1863) 3 De GJ & Sm 637, CA.

2 As to the liability of a trustee for the costs of unnecessary proceedings see para 910 ante.

3 As to the costs of administration proceedings see further paras 910 note 2, 911 ante.

4 *Adams v Adams* [1892] 1 Ch 369, CA; *Re Allan, Havelock v Havelock-Allan* (1896) 12 TLR 299; cf *Powell v Morgan* (1688) 2 Vern 90; *Rhodes v Muswell Hill Land Co* (1861) 29 Beav 560; *Re Williams, Williams v Williams* [1912] 1 Ch 399; *Nathan v Leonard* [2002] EWHC 1701 (Ch), [2003] 4 All ER 198, [2003] 1 WLR 827. The court's jurisdiction on matters of law, as opposed to matters of fact, cannot be ousted: *Re Wynn, Public Trustee v Newborough* [1952] Ch 271, [1952] 1 All ER 341. See also *Re Coxen, McCallum v Coxen* [1948] Ch 747, [1948] 2 All ER 492; *Dundee General Hospitals Board of Management v Walker* [1952] 1 All ER 896, HL; *Re Jones, Midland Bank Executor and Trustee Co Ltd v Jones* [1953] Ch 125, [1953] 1 All ER 357; *Re Tuck's Settlement Trusts, Public Trustee v Tuck* [1978] Ch 49, [1978] 1 All ER 1047, CA.

1071. Right of beneficiaries to seek information from a third party. Exceptionally, the court can order a defendant, who is not otherwise an appropriate party to proceedings, to identify the name and address of a third party[1].

1 This has been referred to as 'the discovery jurisdiction': *Re Murphy's Settlements, Murphy v Murphy* [1998] 3 All ER 1 at 9, sub nom *Murphy v Murphy* [1999] 1 WLR 282 at 289 per Neuberger J. There are two situations where a third party can be required to give information:

(1) where, through no fault of his own, he gets mixed up in the tortious acts of others so as to facilitate their wrongdoing, he incurs no personal liability but he comes under a duty to assist the person who has been wronged by giving him full information and disclosing the identity of the wrongdoers; justice requires that he should co-operate in righting the wrong if he unwittingly facilitated its perpetration (*Norwich Pharmacal Co v Customs and Excise Comrs* [1974] AC 133 at 175, [1973] 2 All ER 943 at 948, HL, per Lord Reid; extended in *P v T Ltd* [1997] 4 All ER 200, [1997] 1 WLR 1309 to enable a claimant to obtain discovery to see whether a tort had been committed);

(2) under the court's equitable jurisdiction to ascertain the whereabouts of a missing trust fund (*A v C* [1981] QB 956n, [1980] 2 All ER 347; extended in *Re Murphy's Settlements* supra to proceedings brought by a potential beneficiary under a discretionary trust (the court ordered the settlor (who had reserved the power of appointment of trustees) to give the plaintiff information as to the names and addresses of the trustees of the settlement, subject to the settlor being given an opportunity to put in evidence as to the inconvenience, cost or other problem the order would cause; the order was extended to similar information in relation to a settlement made by the settlor's wife (now deceased) where the settlor did not have a power of appointment of trustees)).

1072. Effect on absent parties. Absent parties are bound by proceedings in connection with the administration of a trust where they are served with notice of the judgment or order, or an order is made appointing a party to the proceedings to represent them[1].

1 *May v Newton* (1887) 34 ChD 347. The court has power to order that a judgment or order be served on a person who is not a party to the action but may be affected by it: see CPR 19.8A(1). The person served with notice will be bound as if he had been a party but may within 28 days of service on him apply to set aside or vary the judgment or order and take part in proceedings: CPR 19.8A(8). See also para 1077 post.

1073. Appointment of receiver. Where a trustee refuses to act, a receiver of the trust property is appointed if all the acting trustees and beneficiaries consent to the appointment, but not otherwise[1]. He is also appointed on the application of any beneficiary, if the appointment is required for the safety of the trust property or the due administration of the trust, but not otherwise[2].

1 A power to appoint new trustees in place of the refusing trustee may be available under the Trustee Act 1925 s 36 (as amended): see para 836 ante.

2 As to the appointment of a trustee as receiver see RECEIVERS vol 39(2) (Reissue) para 334; as to remuneration of receivers see RECEIVERS vol 39(2) (Reissue) para 436 et seq; and as to discharge of receivers see RECEIVERS vol 39(2) (Reissue) para 463 et seq.

B. PROCEDURE IN ADMINISTRATION ACTIONS

1074. Procedure for obtaining intervention of the court. The intervention of the court under its inherent jurisdiction[1] is obtained by the issue of a claim form[2] or, in suitable cases, on application using the Part 8 procedure[3].

1 See para 1067 ante. As to the procedure on an application for an order of the High Court under the Trustee Act 1925 or under the Variation of Trusts Act 1958 see CPR Pt 64; and *Practice Direction—Estates, Trusts and Charities PD 64*; *Practice Direction—Applications to the Court for Directions by Trustees in relation to the Administration of the Trust PD 64b*. All the trustees must be parties; if the claim is made by trustees any of them who does not consent to being a claimant must be joined as a defendant; the claimant may join any persons with an interest under the trust who it is appropriate to join: see CPR 64.4(1). For additional requirements in claims under the Variation of Trusts Act 1958 see para 1065 ante. As to the procedure for the lodgment of money in court by trustees see para 920 ante.

2 Ie under CPR Pt 7. See *Borthwick v Ransford* (1884) 28 ChD 79. In proceedings against trustees for wilful default (i e for omitting to do what a prudent business man would have done), accounts will be directed against them on that footing on proof of a single instance of wilful default and at any stage of the proceedings: *Shepherd v Towgood* (1823) Turn & R 379; *Garrett v Noble* (1834) 6 Sim 504; *Green v Badley* (1844) 7 Beav 274; *Coope v Carter, Coope v Townsend* (1852) 2 De GM & G 292; *Blakely v Blakely* (1855) 1 Jur NS 368; *Vernon v Wright* (1858) 7 HL Cas 35; *Massey v Massey* (1862) 2 John & H 728; *Coppard v Allen* (1864) 2 De GJ & Sm 173; *Cary v Knowles* (1868) 19 LT 482; *Nash v Howell* (1869) 21 LT 743; *Job v Job* (1877) 6 ChD 562 (where no wilful default was proved); *Re Symons, Luke v Tonkin* (1882) 21 ChD 757; *Re Armitage, Smith v Armitage* (1883) 24 ChD 727; *Re Brier, Brier v Evison* (1884) 26 ChD 238, CA; *Re Anstice, Anstice v Hibbell* (1885) 54 LJ Ch 1104; *Re Barclay, Barclay v Andrew* [1899] 1 Ch 674. This rule does not, however, apply to cases of active breach of trust, in which remedies are only given in respect of those specific breaches of trust which are alleged and proved: *Re Wrightson, Wrightson v Cooke* [1908] 1 Ch 789. Accounts on the footing of wilful default formerly had to be obtained on writ: see *Dowse v Gorton* [1891] AC 190 at 202, HL, per Lord Macnaghten; *Re Newland, Bush v Summers* [1904] WN 181. As to allegations of wilful default and proceedings by beneficiaries alleging breach of trust or default see *Re Sir Lindsay Parkinson & Co Ltd's Trusts Deed, Bishop v Smith* [1965] 1 All ER 609n, [1965] 1 WLR 372. As to the remedy of account and the nature of an account on the footing of wilful default see EQUITY vol 16(2) (Reissue) para 449 et seq; as to accounts and inquiries in proceedings for the administration of a deceased person's estate see EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 724 et seq; and as to taking executorship and trusteeship accounts separately see *Armitage v Elworthy* (1879) 13 ChD 91, CA.

3 The Part 8 procedure is used in cases where the claimant seeks the court's decision on a question which is unlikely to involve a substantial dispute of fact: see CPR 8.1(2)(a); and para 643 ante. See also CPR Pt 64.2 (determination by the court of specified questions and matters); and para 635 ante.

1075. Application for administration of trust. The trustees under any deed or instrument or any of them and any person claiming to be interested in the relief sought as beneficiary, or by assignment or otherwise under a beneficiary, under the trusts of any deed or instrument may apply[1] in the High Court for the execution of the trust under the court's direction[2].

The court will only make an administration order if it considers that the issues between the parties cannot properly be resolved in any other way[3]. Where an order is made for the sale of any property vested in trustees, those trustees are to have the conduct of the sale unless the court otherwise directs[4].

1 Ie using the Part 8 procedure: see CPR Pt 8; and para 643 ante. See also para 636 ante.
2 All causes and matters relating to the execution of trusts are assigned to the Chancery Division: see the Supreme Court Act 1981 s 61(1), Sch 1 para 1(c); and para 632 ante. As from a day to be appointed, the Supreme Court Act 1981 is renamed the Senior Courts Act 1981 by the Constitutional Reform Act 2005 s 59(5), Sch 11 para 1(1) (not yet in force): see para 632 note 1 ante; and COURTS. At the date at which this volume states the law no such day had been appointed. As to the jurisdiction of county courts in trust matters see paras 641–643 ante; as to the persons to be made parties to the proceedings see para 637 ante; and as to costs see para 906 et seq ante.
3 *Practice Direction—Estates, Trusts and Charities* PD 64 para 3.1. As to proceedings for the determination of certain questions or for certain forms of relief without execution of the trust under the court's direction see para 635 ante. Where an administration claim is brought by a person claiming to be beneficially entitled under the trust, and the claimant alleges that no or insufficient accounts have been furnished by the trustees, then, without prejudice to its other powers, the court may order that the proceedings be stayed for a specified period and that the trustees within that period furnish the claimant with proper accounts: see *Practice Direction—Estates, Trusts and Charities* PD 64 para 3.2. As to orders in proceedings for the administration of the estate of a deceased person see EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 705 et seq.
4 *Practice Direction—Estates, Trusts and Charities* PD 64 para 3.4.

1076. Inappropriate use of court procedure. Where it appears to a court officer[1] that a claimant is using the Part 8 procedure[2] inappropriately, he may refer the claim to a judge for the judge to consider the point[3]. The court may at any stage order the claim to continue as if the claimant had not used the Part 8 procedure[4].

1 Ie a member of the court staff: CPR 2.3.
2 See CPR Pt 8; and para 643 ante.
3 *Practice Direction—Alternative Procedure for Claims* PD 8 para 1.5.
4 *Practice Direction—Alternative Procedure for Claims* PD 8 para 1.6.

1077. Proceedings against trustee in his absence. Where in any claim the court[1] is satisfied that a diligent search has been made for any person who, in the character of a trustee, is made a defendant in order to serve him with a process of the court and that he cannot be found, the court may hear and determine the claim and give judgment against him in his character of a trustee as if he had been duly served, or had acknowledged service in the claim, and had also appeared by his counsel and solicitor[2] at the hearing, but without prejudice to any interest he may have in the matters in question in the claim in any other character[3].

1 For the meaning of 'the court' see para 632 note 3 ante.
2 For these purposes, the reference to a solicitor includes a reference to a body corporate recognised by the Council of the Law Society under the Administration of Justice Act 1985 s 9 (as amended) (see SOLICITORS): Solicitors' Incorporated Practices Order 1991, SI 1991/2684, arts 2(1), 3, 4(a), Sch 1.
3 Trustee Act 1925 s 59.

1078. Representative of deceased trustee as party. Where a beneficiary institutes proceedings against a surviving trustee for a general account and administration of the trust, the representative of a deceased trustee is not generally a necessary party[1]. Where all the trustees are dead, proceedings for breach of trust and the recovery of trust

property may not be brought against the representatives of one who was not the last surviving trustee, unless the trust estate is represented by adding as co-defendants either the representatives of the last surviving trustee, or new trustees after they have been duly appointed[2].

1 *London Gas Light Co v Spottiswoode* (1851) 14 Beav 264; *Moore v Morris* (1871) LR 13 Eq 139; *Re Harrison, Smith v Allen* [1891] 2 Ch 349. He may, however, be added as a defendant if there is good reason for that being done: *A-G v Newbury Corpn* (1838) Coop Pr Cas 72 at 77–78; *Coppard v Allen* (1864) 2 De GJ & Sm 173; *Re Harrison, Smith v Allen* supra at 352 et seq per Chitty J.

2 *Re Jordan, Hayward v Hamilton* [1904] 1 Ch 260.

1079. Representation of conflicting interests. As a general rule, a trustee who has had no beneficial interest and an interested beneficiary should not be represented at the hearing of the case by the same counsel[1]. Where one of several trustees is also a beneficiary, he should appear separately from the other trustees[2].

1 *Re Burton, Danby v Burton* [1901] WN 202.

2 *Re Richards, Uglow v Richards* (1901), as reported in 50 WR 90 at 91; *Re Morgan, Brown v Jones* [1927] WN 180.

(4) RIGHTS AND LIABILITIES IN RELATION TO THIRD PARTIES

1080. Circumstances in which a trustee is personally liable. A trustee is personally liable on the contracts into which he enters, unless he excludes personal liability by express stipulation, and the knowledge of those who deal with him that he is contracting in his capacity as trustee is immaterial[1]. An express statement that liability is limited is needed to avoid exposure to personal risk[2]. Accordingly, where a trustee trades or otherwise deals with trust property, he is deemed, as against all persons other than the beneficiaries, to do so on his own account[3], and is consequently personally liable for all debts incurred in the course of the trade or dealing[4] and may be made bankrupt in respect of it[5]. If a trustee holds shares in a company, he has the same liabilities in respect of them as if he were the beneficial owner, even though the fact of the trusteeship is noted in the company's books, but he is entitled to indemnity[6]. A trustee may be liable in tort in certain cases[7]. A trustee who invests in property will be liable as owner under the various provisions regulating land ownership[8]. However, a trustee has a lien over the trust fund for his proper costs and expenses and these extend to an indemnity against future liabilities[9].

Trustees may commit criminal offences if they become involved in money laundering[10]. Trustees who acquire information in the course of carrying on a business in the regulated sector[11] which results in knowledge or suspicion that another person is engaged in money laundering or which gives reasonable grounds for knowledge or suspicion may commit an offence[12] if they fail to disclose that information[13].

1 *Lumsden v Buchanan* (1865) 4 Macq 950 at 955, HL, per Lord Westbury LC; *Muir v City of Glasgow Bank* (1879) 4 App Cas 337 at 355, HL, per Lord Cairns LC, and at 368 per Lord Penzance. See also *Watling v Lewis* [1911] 1 Ch 414; *Re Robinson's Settlement, Gant v Hobbs* [1912] 1 Ch 717 at 728–729, CA, per Buckley LJ.

2 *Williams v Hathaway* (1877) 6 ChD 544. However, a proviso which is so wide as to avoid all liability may not be upheld: see *Watling v Lewis* [1911] 1 Ch 414.

3 *Re Hodson, ex p Richardson* (1818) 3 Madd 138 at 157 per Leach V-C; *Cutbush v Cutbush* (1839) 1 Beav 184 at 187 per Lord Langdale MR; *Lumsden v Buchanan* (1865) 4 Macq 950 at 955, HL, per Lord Westbury LC; *Re Leeds Banking Co, Fearnside and Dean's Case, Dobson's Case* (1866) 1 Ch App 231.

4 *Re Ballam, ex p Garland* (1804) 10 Ves 110 at 118–119 per Lord Eldon LC; *Owen v Delamere* (1872) LR 15 Eq 134 at 138–139 per Bacon V-C; *Muir v City of Glasgow Bank* (1879) 4 App Cas 337 at 368, HL, per Lord Penzance; *Re Johnson, Shearman v Robinson* (1880) 15 ChD 548 at 552–553 per Jessel MR; *Marston*

Thompson Evershed plc v Bend (unreported, but noted (1997) 39 LS Gaz R 38) (defendants held personally liable on loan agreement although it expressly described them as trustees); *Perring v Draper* [1997] EGCS 109. As to the power of an executor to carry on his testator's business see EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 454 et seq. A trustee has a lien on the trust property for expenses properly incurred in administering the trust, and a third person may be subrogated to this right: see *Stott v Milne* (1884) 25 ChD 710, CA; *Dowse v Gorton* [1891] AC 190; *Re Frith, Newton v Rolfe* [1902] 1 Ch 342; and para 904 ante.

5 *Re Ballam, ex p Garland* (1804) 10 Ves 110 at 119; *Re Johnson, Shearman v Robinson* (1880) 15 ChD 548 at 552.

6 See para 904 ante; and COMPANIES vol 7(1) (2004 Reissue) para 786; COMPANY AND PARTNERSHIP INSOLVENCY vol 7(4) (2004 Reissue) para 712.

7 Eg where a trustee is an occupier of premises and under a duty of care to persons who enter upon the premises: see NEGLIGENCE vol 33 (Reissue) para 629 et seq.

8 See eg the Environmental Protection Act 1990 (see PROTECTION OF ENVIRONMENT AND PUBLIC HEALTH); the Gas Safety (Installations and Use) Regulations 1998, SI 1998/2451 (as amended) (see FUEL AND ENERGY); and the Control of Asbestos at Work Regulations 2002, SI 2002/2675 (see HEALTH AND SAFETY AT WORK).

9 *X v A* [2000] 1 All ER 490, [2000] 1 EGLR 19.

10 See the Proceeds of Crime Act 2002 s 327 (as amended) (concealing criminal property); s 328 (as amended) (becoming concerned in an arrangement which he knows or suspects facilitates the acquisition, retention, use or control of criminal property by another); s 329 (as amended) (acquisition, use and possession of criminal property); and CRIMINAL LAW, EVIDENCE AND PROCEDURE vol 11(2) (2006 Reissue) paras 791–793.

11 A business is in the regulated sector to the extent that it engages in the provision by way of business of services in relation to the formation, operation or management of a company or trust: see ibid s 330(12)(a), Sch 9 para 1(1)(m); CRIMINAL LAW, EVIDENCE AND PROCEDURE vol 11(2) (2006 Reissue) para 797.

12 See ibid s 330 (as amended); and CRIMINAL LAW, EVIDENCE AND PROCEDURE vol 11(2) (2006 Reissue) para 797.

13 To a nominated officer or person authorised by the Director General of the Serious Organised Crimes Agency: see ibid s 330(4) (as substituted); and CRIMINAL LAW, EVIDENCE AND PROCEDURE vol 11(2) (2006 Reissue) para 797.

1081. Institution and defence of proceedings. A claim may be brought by or against trustees[1] in that capacity without adding the beneficiaries as parties[2]. Unless the court otherwise directs, any judgment or order given in a claim in which the trustees represent the beneficiaries will bind the beneficiaries[3].

In some cases, however, the beneficiaries should be made parties[4]; and the court may at any stage of the proceedings order any of the beneficiaries to be made parties, either in addition to or in lieu of the previously existing parties[5].

Where a trustee brings proceedings to enforce his legal right as against a third person, a defence which is valid against him generally bars the equitable right of his beneficiary[6].

1 As to compromise in proceedings concerning trust property see CPR 19.7(5), (6).

2 CPR 19.7A. See *White v Morris* (1852) 11 CB 1015; *Robertson v Wait* (1853) 8 Exch 299; *Stace v Gage* (1878) 8 ChD 451; *Simpson v Denny* (1878) 10 ChD 28; *Lloyd's v Harper* (1880) 16 ChD 290 at 315, 317, CA; *Jennings v Jordan* (1881) 6 App Cas 698, HL; *Re Brown's Will* (1884) 27 ChD 179; *Mellor v Daintree* (1886) 33 ChD 198 at 205; *Re Bowden, Andrew v Cooper* (1890) 45 ChD 444; *Barker v Furlong* [1891] 2 Ch 172; *Re Hodge's Settled Estates* [1895] WN 69; *Merry v Pownall* [1898] 1 Ch 306; and PRACTICE AND PROCEDURE. A covenant by a person 'as trustee' does not render the trust estate liable; it is a covenant by himself and the addition of the proviso 'but not so as to create any personal liability' is repugnant and void: *Watling v Lewis* [1911] 1 Ch 414 at 423 per Warrington J; Shep Touch 273; and see para 1080 ante. See also *Furnivall v Coombes* (1843) 5 Man & G 736; *Farhall v Farhall* (1871) 7 Ch App 123; *Re Tewkesbury Gas Co, Tysoe v Tewkesbury Gas Co* [1911] 2 Ch 279 at 285 per Parker J; cf *Williams v Hathaway* (1877) 6 ChD 544; *Muir v City of Glasgow Bank* (1879) 4 App Cas 337, HL; *Re Robinson's Settlement, Gant v Hobbs* [1912] 1 Ch 717 at 729, CA, per Buckley LJ. A person claiming adversely to a trust should not be made a party to a claim for its execution: *A-G v Avon (or Aberavon) Corpn* (1863) 3 De GJ & Sm 637. As between the trustee and the third persons the costs of litigation are not affected by the existence of the trust, but follow the ordinary rules: *Brodie v St Paul* (1791) 1 Ves 326; *Edwards v Harvey* (1809) Coop G 39. Trustees suing on behalf of their beneficiaries are not required to give security for costs, as nominal claimants: see *White v Butt* [1909] 1 KB 50, CA; and PRACTICE AND PROCEDURE. In

certain cases beneficiaries, although not required to be parties, may not be improper parties: *Merry v Pownall* supra at 312 per Kekewich J. Where beneficiaries should not have been parties to a claim, their costs are not allowed: *Re Cooper, Cooper v Vesey* (1882) 20 ChD 611, CA. As to the parties to an application for the appointment of new trustees see *Practice Note* [1901] WN 85; and as to the duty of trustees with reference to instituting and defending actions and their power to compromise see paras 960, 1052 ante. A trustee who has transferred trust property in breach of trust as against the beneficiary is not thereby precluded from enforcing obligations that arose between the trustee and the third party transferee of that property: *Montrose Investment Ltd v Orion Nominees Ltd* [2004] EWCA Civ 1032, 7 ITELR 255.

3 CPR 19.7(1). Such an order may only be enforced by or against a person who is not a party to the claim with the permission of the court: CPR 19.7(2).

4 *Re Smith, ex p London and North Western Rly Co and Midland Rly Co* (1888) 40 ChD 386, CA; *Re Piggin, ex p Mansfield Rly Co* [1913] 2 Ch 326.

5 CPR 19.2. See *Gas Light and Coke Co v Towse* (1887) 35 ChD 519 at 526.

6 *Gibson v Winter* (1833) 5 B & Ad 96; *Evans v Edmonds* (1853) 13 CB 777. As to the possibility that the right of beneficiaries to recover money may subsist even though their trustee's right is barred see para 1083 note 1 post; and as to the saving of the estate of trustees in land from extinction by lapse of time so long as a beneficiary has a right of action to recover the land see LIMITATION OF ACTIONS vol 28 (Reissue) para 1037 et seq. Where a person by fraud obtains a deed by which another covenants to pay him an annual sum of money in trust for a third person, the fraud is a defence to a claim on the covenant, even though the beneficiary is shown not to have been privy to it: *Evans v Edmonds* supra. A defence which would be good against a claim by a beneficiary is not, however, necessarily available against a claim by his trustees (*Britten v Perrott* (1834) 2 Cr & M 597; *May v Taylor* (1843) 6 Man & G 261; *Re Hayward, Tweedie v Hayward* [1901] 1 Ch 221) unless the beneficiary is absolutely entitled to the whole of the trust property (*May v Taylor* supra at 264–265). As to set-off as between trustees and debtors to the trust estate see para 924 ante.

1082. Procedure where trustees do not take proceedings. If one of several trustees refuses to join as claimant in a proper claim or has a special interest which precludes him from doing so, he should be made a co-defendant[1]. If no trustee is willing to institute a proper claim, the beneficiary may take proceedings for the administration of the trust by the court and obtain an order for liberty to use the trustee's name, or for a receiver who will use the trustee's name, in the institution of a proper claim[2]. Where the trustees are bare trustees[3] or there is alleged to be fraud or collusion between the trustees and the third person, or where by reason of conflict of interest or duty it is impossible or difficult for the trustees to sue[4] or where it is clear that liberty to use the trustees' names would be granted if sought[5], then a beneficiary may himself bring the claim[6], adding as defendants every trustee[7] and every other beneficiary[8] unless the trustees will allow their names to be used as claimants on receiving a proper indemnity[9].

1 *Adams v Paynter* (1844) 1 Coll 530 at 534; *Luke v South Kensington Hotel Co* (1879) 11 ChD 121 at 126, CA, per Jessel MR.

2 *Doe d Prosser v King* (1834) 2 Dowl 580; *Davies v Davies* (1837) 2 Keen 534; *Fletcher v Fletcher* (1844) 4 Hare 67 at 78 per Wigram V-C; *Travis v Milne, Milne v Milne* (1851) 9 Hare 141 at 149–150 per Turner V-C; *Stainton v Carron Co* (1854) 18 Beav 146; *Jerdein v Bright* (1861) 2 John & H 325 at 332; *Touche v Metropolitan Railway Warehousing Co* (1871) 6 Ch App 671 at 677 per Lord Hatherley LC; *Yeatman v Yeatman* (1877) 7 ChD 210; *Meldrum v Scorer* (1887) 56 LT 471 at 473 per Kay J.

3 As to bare trustees see paras 755–756 ante.

4 *Field v Firmenich & Co* [1971] 1 All ER 1104, sub nom *Re Field, Field v Firmenich & Co* [1971] 1 WLR 555.

5 *Harmer v Armstrong* [1934] Ch 65, CA. See also *Yeatman v Yeatman* (1877) 7 ChD 210.

6 *Davies v Davies* (1837) 2 Keen 534; *Lancaster v Evors* (1841) 4 Beav 158 (refusal by trustee to sue); *Consett v Bell* (1842) 1 Y & C Ch Cas 569; *Travis v Milne, Milne v Milne* (1851) 9 Hare 141 at 149–150; *Stainton v Carron Co* (1854) 18 Beav 146 at 157; *Hilliard v Eiffe* (1874) LR 7 HL 39 at 43n (2); *Gandy v Gandy* (1885) 30 ChD 57 at 73 et seq, CA; *Beningfield v Baxter* (1886) 12 App Cas 167 at 178–179, PC; *Meldrum v Scorer* (1887) 56 LT 471 at 473; *Hayim v Citibank NA* [1987] AC 730, [1987] 3 WLR 83, PC (where it was observed that a beneficiary allowed to take proceedings cannot be in a better position than a trustee carrying out his duties in a proper manner); *Fraser v Canterbury Diocesan Board of Finance* [2001] Ch 669, [2001] 2 WLR 1103. See also *Bradstock Trustee Services Ltd v Nabarro Nathanson (a firm)* [1995] 4 All ER 888, [1995] 1 WLR 1405 (where the court refused to allow beneficiaries to be substituted for the trustees).

7 *Harrison v Pryse* (1740) Barn Ch 324; *Howden v Yorkshire Miners' Association* [1903] 1 KB 308 at 341, 345, CA.

8 *Meldrum v Scorer* (1887) 56 LT 471 at 474. If there is any dispute between the beneficiaries as to whether rights should be enforced or as to the method of enforcement, then, until this is resolved, the claim to enforce the rights should not proceed: *Harmer v Armstrong* [1934] Ch 65, CA.

9 *Annesley v Simeon* (1819) 4 Madd 390; *Reade v Sparkes* (1827) 1 Mol 8; *Gandy v Gandy* (1885) 30 ChD 57 at 69, 72, CA; *Re Genese, ex p Kearsley* (1886) 17 QBD 1.

1083. Proceedings by beneficiary in respect of contract. In certain circumstances beneficiaries may themselves take independent proceedings against a person in respect of a contract entered into by that person with a trustee for them[1]. They may even sue a company which, by its constitution, is not to be affected by notice of a trust[2].

1 *Pollard v Downes* (1682) 2 Cas in Ch 121; *Tomlinson v Gill* (1756) Amb 330; *Gregory v Williams* (1817) 3 Mer 582 at 589–590; *Wilson v Moore* (1833) 1 My & K 126 (affd (1834) 1 My & K 337); *Fletcher v Fletcher* (1844) 4 Hare 67; *Touche v Metropolitan Railway Warehousing Co* (1871) 6 Ch App 671 at 677; *Harmer v Armstrong* [1934] Ch 65, CA; *Field v Firmenich & Co* [1971] 1 All ER 1104, sub nom *Re Field, Field v Firmenich & Co* [1971] 1 WLR 555. See also para 1082 text and notes 6–8 ante; and EQUITY vol 16(2) (Reissue) para 609. A beneficiary is not, however, entitled to use the name of his trustee for the purpose of proceedings against any other beneficiary: *Twigg and Franks v Mason* (1916) 50 ILT 173, HL. In some cases the right of the beneficiary to take proceedings to recover money may subsist notwithstanding that the right of the trustee is barred by lapse of time: *Williams v Papworth* [1900] AC 563, PC. See also LIMITATION OF ACTIONS vol 28 (Reissue) para 1045.

2 *Binney v Ince Hall Coal and Cannel Co* (1866) 35 LJ Ch 363 at 368.

4. BREACH OF TRUST

(1) LIABILITY

(i) The Breach and Persons Liable

1084. Acts or omissions which constitute breaches of trust. Any act by a trustee with reference to the trust property in contravention of the duties imposed on him by the trust[1], or in excess of those duties[2], and any neglect or omission on his part to fulfil those duties[3], and the concurrence or acquiescence by one of several trustees in a similar act, neglect or omission on the part of a co-trustee[4], constitutes a breach of trust[5]. However, a trustee who is guilty of negligence or breach of contract is not necessarily guilty of breach of trust or fiduciary duty[6]. If the breach of trust entails a loss to the trust estate, then as a general rule the trustee, and, after his decease or bankruptcy, the trustee's estate, are liable[7]. It is, however, necessary for the beneficiary to show a causal connection between the breach of duty and the resulting loss[8].

A trustee may be relieved from liability by the provisions of the instrument creating the trust[9] or by statute[10], or by the fact that the breach of trust has been occasioned by necessity or some other adequate cause[11], or has been authorised or condoned by the beneficiary injured by it[12], or has been due to an innocent mistake[13]. A mere error of judgment does not in itself constitute a breach of trust[14], and a trustee is presumed to have dealt honestly and properly with the trust estate until the contrary is shown[15]. If a trustee personally makes a profit out of a breach of trust, he is liable to account to the beneficiaries for that profit unless the apparent breach was authorised by the trust instrument or by the beneficiaries[16].

1 *Pye v Gorges* (1710) Prec Ch 308; *Mansell v Mansell* (1732) 2 P Wms 678; *Charitable Corpn v Sutton* (1742) 9 Mod Rep 349; *Clough v Bond* (1838) 3 My & Cr 490 at 496 per Lord Cottenham LC; *Harrison v Randall* (1851) 9 Hare 397 at 407 per Turner V-C; *Reid v Thompson and M'Namara* (1851) 2 I Ch R 26; *Dance v Goldingham* (1873) 8 Ch App 902 at 909–910 per James LJ.

2 *Adair v Shaw* (1803) 1 Sch & Lef 243 at 274 per Lord Redesdale LC; *Collier v McBean* (1865) 34 Beav 426 at 431.

3 *Charitable Corpn v Sutton* (1742) 9 Mod Rep 349; *Lord Montford v Lord Cadogan* (1810) 17 Ves 485; *Moyle v Moyle* (1831) 2 Russ & M 710 at 715 per Lord Brougham LC; *Taylor v Tabrum* (1833) 6 Sim 281; *Clough v Bond* (1838) 3 My & Cr 490 at 496 per Lord Cottenham LC; *Fenwick v Greenwell* (1847) 10 Beav 412; *Dix v Burford* (1854) 19 Beav 409 at 413 per Romilly MR; *Stone v Stone* (1869) 5 Ch App 74; *Jefferys v Marshall* (1870) 19 WR 94; *Re Brogden, Billing v Brogden* (1888) 38 ChD 546 at 567–568, CA, per Cotton LJ; *Evans v London Co-operative Society* (1976) Times, 6 July; *Bartlett v Barclays Bank Trust Co Ltd* [1980] Ch 515, [1980] 1 All ER 139. A trustee who at the request of one beneficiary neglects to sell the trust property when it can be sold advantageously, and afterwards sells it at a reduced price, is liable to make good the loss to the trust estate: *Taylor v Tabrum* supra; *Fry v Fry* (1859) 27 Beav 144. Cf *Re Evans, Jones v Evans* [1913] 1 Ch 23 at 33.

4 *Chambers v Minchin* (1802) 7 Ves 186; *Brice v Stokes* (1805) 11 Ves 319; *Munch v Cockerell* (1840) 5 My & Cr 178; *Brumridge v Brumridge* (1858) 27 Beav 5; *Earl of Gainsborough v Watcombe Terra Cotta Clay Co Ltd, Dunning v Earl of Gainsborough* (1885) 54 LJ Ch 991 at 996; *Re Bennison, Cutler v Boyd* (1889) 60 LT 859; *Re Lucking's Will Trusts, Renwick v Lucking* [1967] 3 All ER 726, [1968] 1 WLR 866. However, trustees are not liable for the breaches of their co-trustees per se: *Townley v Sherborn* (1634) Cro Car 312.

5 *Adair v Shaw* (1803) 1 Sch & Lef 243 at 272. It is a breach of trust, notwithstanding that the trust was voluntarily created by the trustee himself without any valuable consideration (*Drosier v Brereton* (1851) 15 Beav 221 at 225–226), and notwithstanding that the trustee derives no personal advantage from it (*Adair v Shaw* supra at 272; *Lord Montford v Lord Cadogan* (1810) 17 Ves 485 at 489). The fact of the trustee being remunerated for his services does not necessarily increase his liability (*Jobson v Palmer* [1893] 1 Ch 71 at 76 per Romer J), but may in some circumstances do so (*National Trustees Co of Australasia Ltd v General Finance Co of Australasia Ltd* [1905] AC 373 at 381, PC; *Re Windsor Steam Coal Co (1901) Ltd* [1928] Ch 609 (affd [1929] 1 Ch 151, CA); *Re Waterman's Will Trusts, Lloyds Bank Ltd v Sutton* [1952] 2 All ER 1054 at 1055, [1952] 2 TLR 877 per Harman J). A higher duty of care is expected from bodies such as trust corporations which carry on a specialised business of trust management; a professional corporate

trustee is liable if it neglects to exercise the special care and skill which it professes to have: *Bartlett v Barclays Bank Trust Co Ltd* [1980] Ch 515, [1980] 1 All ER 139. As to breaches of charitable trusts see CHARITIES.

6 See *Bristol and West Building Society v Mothew (t/a Stapley & Co)* [1998] Ch 1, [1996] 4 All ER 698, CA. The distinction is significant. Equitable compensation for breach of the duty of skill and care resembles common law damages and there is no reason in principle why the common law rules of causation, remoteness of damage and measure of damages should not be applied by analogy in such a case: *Bristol and West Building Society v Mothew* supra at 17 and 711 per Millet LJ. See also *Nestle v National Westminster Bank plc* [1994] 1 All ER 118, [1993] 1 WLR 1260, CA.

7 *Scurfield v Howes* (1790) 3 Bro CC 90; *Kearnan v Fitz-Simon* (1793) 3 Ridg Parl Rep 1; *Adair v Shaw* (1803) 1 Sch & Lef 243 at 272; *Moons v De Bernales, Kaison v De Bernales* (1826) 1 Russ 301; *Knatchbull v Fearnhead* (1837) 3 My & Cr 122; *Jenkins v Robertson* (1853) 1 Eq Rep 123; *Lander v Weston* (1855) 3 Drew 389; *Re Franklyn, Franklyn v Franklyn* (1913) 30 TLR 187, CA. See also BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) paras 524, 643. As to the liability of the personal representative of a deceased trustee for his breach of trust see EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 786.

8 *Re Miller's Deed Trusts* [1978] LS Gaz R 454; *Nestle v National Westminster Bank plc* [1994] 1 All ER 118, [1993] 1 WLR 1260, CA; *Target Holdings Ltd v Redferns* [1996] AC 421, [1995] 3 All ER 785, HL. A distinction is made between an account of profits (the claimant need not prove causation) and equitable compensation for loss arising out of breach of fiduciary duty (a sufficient causal link must be established between the breach and the loss): *Gwembe Valley Development Co Ltd v Koshy (No 3)* [2003] EWCA Civ 1048 at [26]–[46], [2004] 1 BCLC 131 at [26]–[46] per Mummery LJ. As to causation, foreseeability and remoteness see para 1098 post.

9 See para 1114 post.

10 See paras 996 ante, 1116, 1124 et seq post.

11 See para 1059 ante.

12 See para 1118 et seq post.

13 The relief is available where the trustee derived no benefit from the breach arising out of the innocent mistake: *Crookshanks v Turner* (1723) 7 Bro Parl Cas 255, HL; *Re Biddulph, ex p Norris* (1869) 4 Ch App 280 at 287 per Giffard LJ. A mistake is not innocent where it could have been avoided by proper care or diligence, even when made under legal advice (*National Trustees Co of Australasia Ltd v General Finance Co of Australasia Ltd* [1905] AC 373, PC), and a trustee may be liable for a breach of trust even though not aware that he has committed it (*Walker v Symonds* (1818) 3 Swan 1 at 69 per Lord Eldon LC; *Eaves v Hickson* (1861) 30 Beav 136 (trustees misled by a forged marriage certificate)). Relief is now available under the Trustee Act 1925 s 61: see para 1123 post.

14 *Wilkinson v Stafford* (1789) 1 Ves 32 at 41 per Lord Thurlow LC; *Garrett v Noble* (1834) 6 Sim 504; *Buxton v Buxton* (1835) 1 My & Cr 80; *Selby v Bowie* (1863) 9 Jur NS 425 at 426 per Turner LJ; *Stott v Milne* (1884) 25 ChD 710 at 713–714, CA, per Lord Selborne LC; *Re Hurst, Addison v Topp* (1892) 67 LT 96 at 100, CA, per Lindley LJ; *Re Beddoe, Downes v Cottam* [1893] 1 Ch 547 at 562, CA, per Bowen LJ; *Re Chapman, Cocks v Chapman* [1896] 2 Ch 763 at 778, CA, per Lopes LJ; *Re Kensit* [1908] WN 235.

15 *Taylar v Millington* (1858) 4 Jur NS 204 at 205 per Wood V-C.

16 *Boardman v Phipps* [1967] 2 AC 46, [1966] 3 All ER 721, HL. See also para 1109 post.

1085. Persons liable. Liability for a breach of trust extends to a tenant for life in respect of matters as to which he is by the Settled Land Act 1925[1] placed in the position of a trustee[2], and to a constructive trustee and trustee de son tort[3]; and also to a trustee who retires with a view to or with knowledge of an intended breach of trust[4].

1 See the Settled Land Act 1925 s 107 (as amended); and SETTLEMENTS vol 42 (Reissue) para 775.

2 *Re Earl of Wilton's Settled Estates* [1907] 1 Ch 50 at 55–56 per Warrington J.

3 *Rackham v Siddall* (1849) 1 Mac & G 607 at 621 per Lord Cottenham LC; *Pearce v Pearce* (1856) 22 Beav 248; *Lee v Sankey* (1873) LR 15 Eq 204 at 211 per Bacon V-C; *Wassell v Leggatt* [1896] 1 Ch 554. See also para 1088 post. As to constructive trustees and trustees de son tort see paras 625, 687 et seq ante.

4 See para 894 ante.

1086. Breach of trust in which several trustees are implicated. Where several trustees are implicated in a breach of trust, there is no primary liability for it between them, but they are all jointly and severally liable to a person who is entitled to sue in respect of it[1]. Where a breach of trust has been committed for which constructive trustees or trustees de son tort[2] as well as the duly appointed trustees are liable, the joint and several liability extends to the whole number[3]. Proceedings to obtain relief or

redress in respect of a breach of trust may therefore be brought against some only of the persons who are liable for it[4], and without making all who are liable for it parties to the proceedings[5].

1 *Vandebende v Levingston* (1674) 3 Swan 625; *Charitable Corpn v Sutton* (1742) 9 Mod Rep 349; *Wilson v Moore* (1833) 1 My & K 126 at 142–143 (affd 1 My & K 337); *A-G v Wilson* (1840) Cr & Ph 1; *Lyse v Kingdon* (1844) 1 Coll 184 at 188 per Knight Bruce V-C; *Fletcher v Green* (1864) 33 Beav 426; *A-G v Daugars* (1864) 33 Beav 621; *Re Biddulph, ex p Norris* (1869) 4 Ch App 280; *Imperial Mercantile Credit Association (Liquidators) v Coleman* (1873) LR 6 HL 189 at 203; *Re Faure Electric Accumulator Co* (1888) 40 ChD 141 at 158 per Kay J. After accepting a payment from one trustee by way of compromise in discharge of his liability for a breach of trust, a beneficiary was held entitled to prove in the bankruptcy of another trustee for the full amount due to the trust estate without giving credit for the compromise (but not so as to recover more than the full amount of the claim): *Edwards v Hood-Barrs* [1905] 1 Ch 20. See BANKRUPTCY AND INDIVIDUAL INSOLVENCY vol 3(2) (2002 Reissue) para 524. As to the liability of co-partners for a breach of trust committed by one of them see note 3 infra; and PARTNERSHIP vol 35 (Reissue) paras 57, 67.

2 As to constructive trustees and trustees de son tort see paras 625, 687 et seq ante.

3 *Cowper v Stoneham* (1893) 68 LT 18. Where the trustees' solicitors have as constructive trustees been parties to a breach of trust committed by the trustees, the solicitors may be joined as defendants in a proceedings against the trustees in respect of the breach, and are jointly and severally liable for it with the trustees: *Cowper v Stoneham* supra. A whole firm of solicitors may be held liable for the concurrence of one of their number in a breach of trust: see *Blyth v Fladgate, Morgan v Blyth, Smith v Blyth* [1891] 1 Ch 337; *Dubai Aluminium Co Ltd v Salaam* [2002] UKHL 48, [2003] 2 AC 366, [2003] 1 All ER 97 (overruling *Re Bell's Indenture, Bell v Hickley* [1980] 3 All ER 425, [1980] 1 WLR 1217); and SOLICITORS vol 44(1) (Reissue) paras 129, 157. As to the scope of a professional trustee's insurance protection in these circumstances see *Macalister Todd Phillips Bodkin v AMP General Insurance Ltd* [2005] 2 NZLR 854, 8 ITELR 15, NZ HC. As to the distribution of liability among the persons responsible see para 1129 et seq post.

4 *Wilson v Moore* (1833) 1 My & K 337; *London Gas Light Co v Spottiswoode* (1851) 14 Beav 264. A trustee who is jointly liable for a breach of trust may take proceedings against his co-trustee who has derived the benefit from the breach to make good to the trust estate the loss occasioned thereby: *Beattie v Johnstone* (1848) 8 Hare 169; *Baynard v Woolley, Wearing v Baynard* (1855) 20 Beav 583; *Elwes v Barnard* (1865) 11 Jur NS 1035; but see *Chancellor v Morecraft* (1848) 11 Beav 262. As to proceedings to enforce the liability of a trustee see also para 963 et seq ante. Such proceedings are not dismissed on the ground of defect of form: *Burrowes v Gore* (1858) 6 HL Cas 907.

5 *Walker v Symonds* (1818) 3 Swan 1 at 75; *Perry v Knott* (1842) 5 Beav 293; *Kellaway v Johnson* (1842) 5 Beav 319; *A-G v Daugars* (1864) 33 Beav 621 at 624; *Price v Price* (1880) 42 LT 626. Where two classes of trustees are each liable for a breach of trust, the beneficiaries may proceed against one class without making the other class parties: *M'Gachen v Dew, Dew v M'Gachen* (1851) 15 Beav 84. As to proceedings against charity trustees see CHARITIES vol 5(2) (2001 Reissue) para 544.

1087. Bare trustee or nominee. Where a bare legal estate in property is vested in a person, the nominee, in trust for a trustee who is interested in it upon trust for beneficiaries, and the nominee so deals with the legal estate as to sanction an act done by the trustee to the prejudice of the beneficiaries, he thereby becomes a party to the breach of trust and is answerable accordingly[1]. Where the trust is for the purpose of sale, then in the interests of the beneficiaries the nominee is bound to convey it to the trustee to enable him to execute his trust[2]. If, however, in parting with the legal estate he goes beyond the mere purpose of conveying it to the trustee and so deals with it as to facilitate a breach of trust by the trustee, he is deemed a party to the breach of trust, if it is committed, and is responsible for it[3].

1 *Angier v Stannard* (1834) 3 My & K 566 at 571 per Leach MR; and see *Margetts v Perks* (1864) 34 LJ Ch 109.

2 *Angier v Stannard* (1834) 3 My & K 566 at 571.

3 *Angier v Stannard* (1834) 3 My & K 566 at 571.

1088. Liability of third parties. A person, not being a trustee, renders himself liable for the consequent loss to the trust estate where he knowingly becomes an active party to a fraudulent or improper disposition of the trust property in breach of the trust

affecting it[1], or knowingly receives trust property and deals with it in a manner inconsistent with the trust[2], or where in acting for the trustee he commits a wrong for which he is liable to the trustee[3]. He is not, however, liable for a breach of trust where he has no knowledge of the trust or of the intended breach of trust, or where he merely acts as agent for a trustee[4].

Where an agent or a third person by his conduct or the circumstances of the case has become a constructive or implied trustee or a trustee de son tort, he incurs for a breach of trust a liability similar to that of an express trustee[5].

1 See para 704 ante.
2 See para 698 et seq ante.
3 *Sadler v Lee* (1843) 6 Beav 324. As to the liability of agents for breach of trust see also AGENCY vol 2(1) (Reissue) para 193.
4 See para 698 et seq ante. The Trustee Act 1925 and every order purporting to be made under it is a complete indemnity to the Bank of England, the Registrar of Government Stock, any previous Registrar of Government Stock and to all persons for any acts done pursuant to it, and it is not necessary for the Bank, Registrar, former Registrar or for any person to inquire concerning the propriety of the order, or whether the court by which the order was made had jurisdiction to make the order: s 66 (amended by the Government Stock (Consequential and Transitional Provision)(No 2) Order 2004, SI 2004/1662, art 2, Schedule Pt 2 para 10(1), (3)). As to the liability of bankers and solicitors see further BANKING vol 3(1) (2005 Reissue) paras 151, 153; SOLICITORS vol 44(1) (Reissue) paras 129, 157.
5 See para 703 ante. As to the remedies and penalties for breach of trust see para 1089 et seq post.

(ii) Remedies and Penalties

1089. Civil and criminal liability. A breach of trust in itself is merely a violation of an equitable obligation; the remedy for it, therefore, lies in equity only and must be sought in a court of equitable jurisdiction[1]. A breach of trust is, in equity, regarded as giving rise to a simple contract debt[2], unless the trustee has covenanted by deed[3] that he will perform the trust, in which case his breach of trust, being also a breach of covenant, gives rise to a speciality debt[4]. Such a covenant may be created by a deed[5] containing an express agreement that he will perform the trust[6], or a declaration to that effect[7], or may be raised by necessary implication from such an instrument[8]. The mere fact of his accepting the trust by a deed does not, however, constitute a covenant by him to carry the trust into effect[9].

A trustee who dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it is guilty of theft[10], and for this purpose the persons to whom property subject to a trust belongs are to be regarded as including any person having a right to enforce the trust, and an intention to defeat the trust is to be regarded accordingly as an intention to deprive of the property any person having that right[11].

1 Co Litt 272b; *Sturt v Mellish* (1743) 2 Atk 610 at 612 per Lord Hardwicke LC; *Allen v Imlett* (1817) Holt NP 641; *Re Lake, ex p Dyer* [1901] 1 KB 710 at 715, CA, per Rigby LJ. Under the former rules of court, in proceedings for breach of trust the actual breaches had to be specified and full particulars of them had to be set out in the pleadings: see RSC Ord 18 r 12(1) (revoked). The plaintiff was not allowed at the trial to complain of breaches outside the particulars given in the statement of claim: *Re Anstice, Anstice v Hibbell* (1885) 33 WR 557; *Re Wrightson, Wrightson v Cooke* [1908] 1 Ch 789 at 799; cf *Re Symons, Luke v Tonkin* (1882) 21 ChD 757; *Re Armitage, Smith v Armitage* (1883) 24 ChD 727. Under the CPR, as part of its responsibility for managing cases, the court will ensure that the parties plainly state the factual ingredients of their case so that the true nature and scope of the dispute can be identified. The aim is to avoid the need for further exchanges between the parties. However, a broad power is given to enable the court where necessary at any time to order a party to clarify any matter which is in dispute in the proceedings or to give additional information in relation to any such matter: see CPR 18. As to the liability of charity trustees see also CHARITIES.
2 *Cox v Bateman* (1715) 2 Ves Sen 19; *Vernon v Vawdry* (1740) 2 Atk 119; *Kearnan v Fitz-Simon* (1793) 3 Ridg Parl Rep 1; *Adey v Arnold* (1852) 2 De GM & G 432; *Brereton v Hutchinson* (1854) 31 Ch R 361 at

367–368, Ir CA, per Brady LC; *Brittlebank v Goodwin* (1868) LR 5 Eq 545 at 551 et seq per Giffard V-C. Strictly speaking, the relation of debtor and creditor does not subsist between a trustee and his beneficiary (*Re Goldsmid, ex p Taylor* (1886) 18 QBD 295 at 301, CA, per Lindley LJ; *Re Lake, ex p Dyer* [1901] 1 KB 710 at 715, CA, per Rigby LJ, questioning the dictum of Lord Halsbury LC in *Sharp v Jackson* [1899] AC 419 at 426, HL), nor between a trustee and a co-trustee (*Re Goldsmid, ex p Taylor* supra at 301). However, where there is no trust to execute except paying over the money, proceedings for money had and received may be brought against a trustee on an admission that a balance belonging to the beneficiary is in his hands: *Roper v Holland* (1835) 3 Ad & El 99; *Cummins v Cummins* (1845) 3 Jo & Lat 64; *Sinclair v Wilson* (1855) 20 Beav 324; *Re Wilkinson, ex p Stubbins* (1881) 17 ChD 58, CA; *Re Goldsmid, ex p Taylor* supra. See further RESTITUTION.

3 *Richardson v Jenkins* (1853) 1 Drew 477 at 481 per Kindersley V-C. See also *Space Investments Ltd v Canadian Imperial Bank of Commerce Trust Co (Bahamas) Ltd* [1986] 3 All ER 75, [1986] 1 WLR 1072, PC; and the comments of Handley JA and Cripps JA in *Wickstead v Browne* (1992) 30 NSWLR 1 at 14. Any rule of law which required a seal for the valid execution of an instrument as a deed by an individual has, except in relation to a corporation sole, been abolished: see the Law of Property (Miscellaneous Provisions) Act 1989 s 1(1)(b), (10); and DEEDS AND OTHER INSTRUMENTS vol 13 (2007 Reissue) paras 7, 32.

4 *Primrose v Bromley* (1739) 1 Atk 89; *Lord Montford v Lord Cadogan* (1816) 19 Ves 635 at 638 per Lord Eldon LC; *Jameson v Farrer* (1841) 3 I Eq R 346; *Wood v Hardisty* (1846) 2 Coll 542; *Adey v Arnold* (1852) 2 De GM & G 432; *Richardson v Jenkins* (1853) 1 Drew 477 at 481; *Newport v Bryan* (1856) 51 Ch R 119.

5 *Richardson v Jenkins* (1853) 1 Drew 477 at 481.

6 The deed must contain words to raise a covenant on which a claim would lie at law: *Adey v Arnold* (1852) 2 De GM & G 432; *Richardson v Jenkins* (1853) 1 Drew 477; *Holland v Holland* (1869) 4 Ch App 449 at 459 per Giffard LJ. See further DEEDS AND OTHER INSTRUMENTS vol 13 (2007 Reissue) para 251.

7 The words 'it is hereby declared' contained in a deed executed by the trustee raise a covenant as effectually as words of agreement: *Richardson v Jenkins* (1853) 1 Drew 477 at 482–483; *Alexander v Foster* (1856) 5 WR 33.

8 *Turner v Wardle, Barker v Wardle* (1834) 7 Sim 80. See DEEDS AND OTHER INSTRUMENTS vol 13 (2007 Reissue) para 250 et seq. A covenant is not implied unnecessarily: *Bartlett v Hodgson* (1785) 1 Term Rep 42; *Adey v Arnold* (1852) 2 De GM & G 432 at 437 per Lord St Leonards LC.

9 *Wynch v Grant* (1854) 2 Drew 312; *Isaacson v Harwood, Brook v Harwood* (1868) 3 Ch App 225.

10 See the Theft Act 1968 s 1(1); and CRIMINAL LAW, EVIDENCE AND PROCEDURE vol 11(1) (2006 Reissue) para 290 et seq.

11 See ibid s 5(2).

1090. Election between remedies. Where a trustee receives an unauthorised profit in breach of his fiduciary duty he is liable to account for the profit received[1] but where he commits a breach of trust he is liable to restore the trust fund or compensate the trust for losses sustained[2]. If more than one remedy is available in respect of the same breach it is necessary to establish whether the remedies are alternative, in which case the beneficiaries must elect between them[3], or cumulative, in which case the beneficiaries may be able to recover under both although the principle of full satisfaction will prevent double recovery.[4]

1 See paras 928 ante, 1109 post.

2 See para 1099 et seq post.

3 *Tang Man Sit v Capacious Investments Ltd* [1996] AC 514, [1996] 1 All ER 193, PC holding that the remedies of equitable account of profits and equitable compensation for loss in respect of the same breach are alternative remedies (relying on *United Australia Ltd v Barclays Bank Ltd* [1941] AC 1, [1940] 4 All ER 20, HL).

4 *Westminster City Council v Porter* [2002] EWHC 1589 (Ch), [2002] EWHC 2179 (Ch), [2003] Ch 436 (holding that a claimant was entitled to pursue an equitable remedy for breach of fiduciary duty concurrently with a statutory remedy in respect of the same claim but was not entitled to recover anything more than the higher of the two sums).

1091. Liability of trustee who is also beneficiary. Where a trustee who is also a beneficiary commits a breach of trust, his beneficial interest in the trust property is

liable for making good the loss occasioned thereby before he can claim anything for himself[1]. His assignee is in no better position, even where the breach was committed by him after assigning his beneficial interest[2].

1 *Fox v Buckley* (1876) 3 ChD 508 at 509 note (1), CA, per Little V-C; *Re Brown, Dixon v Brown* (1886) 32 ChD 597; *Chillingworth v Chambers* [1896] 1 Ch 685, CA; *Re Rhodesia Goldfields Ltd, Partridge v Rhodesia Goldfields Ltd* [1910] 1 Ch 239; *Re Towndrow, Gratton v Machen* [1911] 1 Ch 662; *Re Dacre, Whitaker v Dacre* [1916] 1 Ch 344, CA; *Selangor United Rubber Estates Ltd v Cradock (No 4)* [1969] 3 All ER 965, [1969] 1 WLR 1773. See also para 1129 et seq post.

2 *Doering v Doering* (1889) 42 ChD 203. See also para 923 ante.

1092. Liability of trustee on default in obeying orders for payment. A trustee who is ordered by the High Court to pay a sum of money in his possession or under his control, and who makes default in doing so, is liable to attachment and imprisonment[1].

1 See CONTEMPT OF COURT vol 9(1) (Reissue) para 485. See also *Evans v Bear* (1874) 10 Ch App 76; *Re Strong* (1886) 32 ChD 342 at 347, CA. As to the enforcement of money judgments see CPR 70.2; *Practice Direction—Enforcement of Judgments and Orders* PD 70; and ENFORCEMENT vol 17(1) (Reissue) para 101 et seq.

1093. Solicitor-trustee. Where a solicitor is a trustee or in a fiduciary position[1], the court may exercise its summary jurisdiction over him in his capacity as an officer of the Supreme Court[2], for example to remedy a breach of his undertaking as a solicitor or a failure as solicitor to a trustee to pay over trust money; but the court will not intervene summarily where he acts in his private capacity as trustee[3].

A solicitor who as a trustee commits a fraudulent breach of trust is liable to have his name struck off the roll[4].

1 As to the liability of a firm of solicitors for the acts of one of their number see para 1086 note 3 ante.

2 As to the disciplinary jurisdiction of the Supreme Court over solicitors see SOLICITORS vol 44(1) (Reissue) paras 351–353. As from a day to be appointed, the Supreme Court is renamed the Senior Courts by the Constitutional Reform Act 2005 s 59(1) (not yet in force): see para 632 note 1 ante; and COURTS. At the date at which this volume states the law no such day had been appointed.

3 See SOLICITORS vol 44(1) (Reissue) paras 353, 362.

4 See SOLICITORS vol 44(1) (Reissue) paras 434, 440. The ground of application is conduct unbefitting a solicitor; fraudulent breach of trust is not of itself a statutory ground for striking a solicitor's name off the roll, but, by reason of the fraud, the conduct would rank as disgraceful conduct: see SOLICITORS vol 44(1) (Reissue) para 440.

1094. Injunction against contemplated breach of trust. Where the court is satisfied that trustees are contemplating a breach of trust, it may restrain the commission of that breach by injunction[1].

1 See para 974 ante; and INJUNCTIONS vol 24 (Reissue) para 922.

1095. Securing trust property. A receiver may be appointed on the application of any beneficiary if the appointment is required for the safety of the trust property or the due administration of the trust[1]. Where trust property is in jeopardy by reason of the trustee's conduct or his death or incapacity or bankruptcy an injunction may be granted to restrain the trustee from further acting in the trust[2], or a writ of possession or delivery may be obtained[3], or the property may be ordered to be paid into court[4].

1 See RECEIVERS vol 39(2) (Reissue) para 334. As to constructive trusts see *Cassidy v Hopkins* (1847) 10 I Eq R 208.

2 See INJUNCTIONS vol 24 (Reissue) paras 921–922.

3 See CPR Sch 1 RSC Ord 45 rr 3, 4; and PRACTICE AND PROCEDURE.

4 *Wyatt v Sharratt* (1840) 3 Beav 498; *Cole v Muddle* (1852) 10 Hare 186; *Wiglesworth v Wiglesworth* (1852) 16 Beav 269; *Re Clerihew's Estate, Clerihew v Clerihew, Re Howard* (1871) 24 LT 860; *Staniar v Evans, Evans v Staniar* (1886) 34 ChD 470; *Re Carroll, Brice v Carroll* [1902] 2 Ch 175. See also para 1069 ante.

1096. Refusal of specific performance of contract involving breach of trust. The court never lends its assistance to the commission of a breach of trust[1], and, therefore, does not decree specific performance of a contract which involves a breach of trust[2].

1 *Wood v Richardson* (1840) 4 Beav 174 at 176–177 per Lord Langdale MR; *Maw v Topham* (1854) 19 Beav 576 at 578 per Romilly MR; *Roberts v Death* (1881) 8 QBD 319, CA; *Bowman v Hill* [1907] 1 IR 451, Ir CA. See also *Rede v Oakes* (1864) 4 De GJ & Sm 505.
2 See SPECIFIC PERFORMANCE vol 44(1) (Reissue) para 867.

1097. Injunction freezing trustee's assets. Where a trustee is merely personally accountable, the court will not normally grant an injunction to restrain him from parting with his assets pending trial[1]; the claimant, like other creditors of the defendant, must obtain his judgment and then enforce it[2]. If, however, there is a risk of the defendant frustrating some future judgment by removing his assets from the jurisdiction or disposing of or dealing with any of his assets within the jurisdiction, the court may grant an injunction to preserve sufficient assets to meet the claim[3].

1 *Lister & Co v Stubbs* (1890) 45 ChD 1, CA (injunction not available in respect of assets purchased with money received as a bribe or secret commission). As to whether the moneys are in fact subject to a constructive trust see *A-G for Hong Kong v Reid* [1994] 1 AC 324, [1994] 1 All ER 1, PC; and para 696 ante. See also para 1069 ante.
2 *Barclay-Johnson v Yuill* [1980] 3 All ER 190 at 193, [1980] 1 WLR 1259 at 1262.
3 Such an injunction, previously known as a Mareva injunction, is now called a freezing injunction. See the Supreme Court Act 1981 s 37(3); and INJUNCTIONS vol 24 (Reissue) paras 866–871. As from a day to be appointed, the Supreme Court Act 1981 is renamed the Senior Courts Act 1981 by the Constitutional Reform Act 2005 s 59(5), Sch 11 para 1(1) (not yet in force): see para 632 note 1 ante; and COURTS. At the date at which this volume states the law no such day had been appointed.

(iii) Extent of Liability for Breach of Trust

A. MEASURE OF LIABILITY FOR LOST PRINCIPAL

1098. Causation, foreseeability and remoteness. The obligation of a trustee who is held liable for a breach of trust is fundamentally different from the obligation of a contractual or tortious wrongdoer. The common law rules of foreseeability, remoteness of damage and causation do not apply[1]. However, there does have to be some causal connection between the breach of trust and the loss to the trust estate for which compensation is recoverable[2]. There is some uncertainty as to the position where the breach of duty falls within the category of inequitable conduct which equity regards as fraud[3].

1 *Target Holdings Ltd v Redferns (a firm)* [1996] AC 421 at 434, [1995] 3 All ER 785 at 794, HL, per Lord Browne-Wilkinson (relying on *Re Dawson* [1966] 2 NSWLR 211 and *Bartlett v Barclays Bank Trust Co Ltd (No 2)* [1980] Ch 515, [1980] 2 All ER 92). The same principles apply in cases of breach of fiduciary duty: *Swindle v Harrison* [1997] 4 All ER 705, CA. But see *Bristol and West Building Society v Mothew (t/a Stapley & Co)* [1998] Ch 1 at 16–17, [1996] 4 All ER 698 at 710–711, CA, per Millett LJ (not every breach of duty by a fiduciary is a breach of fiduciary duty; equitable compensation for breach of the duty of skill and care resembles common law damages and there is no reason in principle why the common law rules of causation, remoteness of damage and measure of damages should not be applied by analogy in such a case).
2 *Target Holdings Ltd v Redferns (a firm)* [1996] AC 421 at 434, [1995] 3 All ER 785 at 794, HL, per Lord Browne-Wilkinson (relying on *Re Miller's Deed Trusts* (1978) 75 LS Gaz 454 and *Nestle v National Westminster Bank plc* [1994] 1 All ER 118, [1993] 1 WLR 1260); *Swindle v Harrison* [1997] 4 All ER 705, CA.

3 Where the breach of fiduciary duty is the equitable equivalent of fraud the defendant's liability in damages is measured in the same way as if fraud was proved at common law. The defendant is liable to restore the claimant to the situation he was in when the defendant did him wrong irrespective of what the claimant would have done had there been no breach: *Swindle v Harrison* [1997] 4 All ER 705 at 715, CA, per Evans LJ (dicta cited in *Nationwide Building Society v Balmer Radmore* [1999] PNLR 606 at 656–658 per Blackburne J; but doubted in *Collins v Brebner* [2000] Lloyd's Rep PN 587 at 590, CA, per Tuckey LJ).

1099. Traditional trusts where the trusts are still subsisting. The extent of the liability incurred by a trustee who is responsible for a breach of trust is measured by the extent of the loss or depreciation which his act or omission has caused to the trust estate; and he is liable to restore to the estate the property which it has thereby lost or its value, and to make good any depreciation and damage which the estate has thereby suffered[1]. A trustee cannot reduce his liability by taking into account a sum corresponding to the amount of tax that would have been payable if no breach of trust had been committed[2]. The liability of a trustee extends to profits which he would have received but for his wilful default or neglect[3]; it is not limited to what the trustee who is charged with default has actually received and still less to any benefit which he may have personally derived from the breach[4]. There is no authority for the existence of any distinction in this respect between a case where a trust fund has been collected and subsequently lost and a case of a fund lost through the neglect of a trustee to collect it[5]. If the trustee makes an unauthorised investment, he is liable for the loss incurred on realising it[6]. Where the breach of trust has deprived the party who ought to have had the assets throughout the relevant period of the opportunity of realising them at any point he chose, the defaulting party must make compensation on the footing of the lost value of the opportunity at its highest point[7].

If specific restitution of the trust property is not possible, then the liability of the trustee is to pay sufficient compensation to the trust estate, assessed as at the date of judgment, to put it back to what it would have been had the breach not been committed[8].

1 *Younge v Combe* (1798) 4 Ves 101; *Caffrey v Darby* (1801) 6 Ves 488; *French v Hobson* (1803) 9 Ves 103; *Bennett v Colley* (1833) 2 My & K 225; *Morris v Livie* (1842) 1 Y & C Ch Cas 380; *Challen v Shippam* (1845) 4 Hare 555; *Robinson v Robinson* (1851) 1 De GM & G 247 at 255 per Lord Cranworth LJ; *Gibbins v Taylor* (1856) 22 Beav 344; *Craven v Craddock* [1868] WN 229 (revsd [1869] WN 48, 20 LT 638); *Re Biddulph, ex p Norris* (1869) 4 Ch App 280; *Cann v Cann* (1884) 51 LT 770; *Re Deane, Bridger v Deane* (1889) 42 ChD 9, CA; *Re Newen, Smiles v Carruthers* (1912) 133 LT Jo 589; *Radcliffe v Abbey Road and St John's Wood Permanent Building Society* (1918) 87 LJ Ch 557. Where a trustee incautiously invests trust money on a security authorised by the terms of the trust but of insufficient value, he is liable for the deficiency on a realisation of the security: *Re Salmon, Priest v Uppleby* (1889) 42 ChD 351, CA. The court does not assent to any compromise which does not replace the whole of the trust money, where the trustee is able to pay it: *Re Dewar, Dewar v Brooke* (1885) 54 LJ Ch 830 at 833 per Kay J. See *Target Holdings Ltd v Redferns (a firm)* [1996] AC 421, [1995] 3 All ER 785, HL ('Both at common law and in equity liability is fault based. The defendant is only liable for the consequences of the legal wrong he has done to the claimant and to make good the damage caused by such wrong. He is not responsible for damage not caused by his wrong or to pay by way of compensation more than the loss suffered from such wrong': at 432 and 792 per Lord Browne-Wilkinson). See also *Swindle v Harrison* [1997] 4 All ER 705, CA.

2 *Bartlett v Barclays Bank Trust Co Ltd (No 2)* [1980] Ch 515, [1980] 2 All ER 92; *Re Bell's Indenture, Bell v Hickley* [1980] 3 All ER 425, [1980] 1 WLR 1217 (overruled on a different point by *Dubai Aluminium Co Ltd v Salaam* [2002] UKHL 48, [2003] 2 AC 366, [2003] 1 All ER 97).

3 *Howell v Howell* (1837) 2 My & Cr 478 at 486; *Barlett v Barclays Bank Trust Co Ltd (No 2)* [1980] Ch 515, [1980] 2 All ER 92.

4 *Adair v Shaw* (1803) 1 Sch & Lef 243 at 272.

5 See *Re Godwin's Settlement, Godwin v Godwin* (1918) 87 LJ Ch 645 at 647.

6 *Knott v Cottee* (1852) 16 Beav 77 (where improper investments were ordered into court and sold at a loss, and the trustees were held liable for that loss even though at the date of the subsequent court decree there would have been no loss if the investments had been retained).

7 *Jaffray v Marshall* [1994] 1 All ER 143, [1993] 1 WLR 1285. But see *Target Holdings Ltd v Redferns (a firm)* [1996] AC 421 at 440, [1995] 3 All ER 785 at 799, HL, where Lord Browne-Wilkinson was of the opinion that *Jaffray v Marshall* supra had been wrongly decided.

8 *Target Holdings Ltd v Redferns (a firm)* [1996] AC 421 at 434, [1995] 3 All ER 785 at 794, HL, per Lord Browne-Wilkinson (citing *Caffrey v Darby* (1801) 6 Ves 488; *Clough v Bond* (1838) 3 My & Cr 490).

1100. Traditional trusts where trusts have come to an end. In traditional trusts for persons by way of succession, once those trusts have been exhausted and the fund has become absolutely vested in possession, the beneficiary is not normally entitled to have the exhausted trust reconstituted. His right is to be compensated for the loss he has suffered by reason of the breach assessed as at the date of judgment[1].

1 *Target Holdings Ltd v Redferns (a firm)* [1996] AC 421, [1995] 3 All ER 785, HL; applied in *Hulbert v Avens* [2003] EWHC 76 (Ch), [2003] All ER (D) 309 (Jan).

1101. Non-traditional trusts. In the modern world the trust has become a valuable device in commercial and financial dealings. Though the fundamental principles of equity apply equally to these as to traditional trusts, it is necessary to distinguish between the basic principles of trust law and those specialist rules developed in relation to traditional trusts which are applicable only to such trusts and the rationale of which has no application to trusts of quite a different kind. Thus if in connection with a conveyancing transaction a client pays moneys to his solicitor these are trust moneys, and if they are wrongly paid away, until the underlying commercial transaction has been completed, the solicitor can be required to restore the moneys to the client's account. However, once the transaction has been completed the solicitor cannot be required to reconstitute the fund: the principle of equitable compensation applies under which the client beneficiary is entitled to be compensated for any loss he would not have suffered but for the breach assessed as at the date of judgment[1]. The position is different where the defendant, though not strictly a trustee, has undertaken fiduciary obligations which involve heavy and continuing responsibilities for the stewardship of another's assets[2].

1 *Target Holdings Ltd v Redferns (a firm)* [1996] AC 421, [1995] 3 All ER 785, HL.

2 *Bairstow v Queens Moat Houses plc* [2001] EWCA Civ 712, [2001] 2 BCLC 531 (where the liability of directors for paying unlawful dividends out of company funds was not limited to the difference between the unlawful dividends and the dividends which could and would lawfully have been paid); distinguishing *Target Holdings Ltd v Redferns (a firm)* [1996] AC 421, [1995] 3 All ER 785, HL, on the grounds that the trust in that case was simply an aspect of a wider commercial transaction involving agency. According to Walker LJ a more satisfactory dividing line is not that between the traditional trust and the commercial trust, but between a breach of fiduciary duty in the wrongful disbursement of funds of which the fiduciary has a sort of trustee-like stewardship and a breach of fiduciary duty of a different character such as a solicitor's failure to disclose conflict of interest: *Bairstow v Queens Moat Houses plc* supra at [53]. As to the position of a director as trustee of the company property see *JJ Harrison (Properties) Ltd v Harrison* [2001] EWCA Civ 1467, [2002] 1 BCLC 162. But see *Gwembe Valley Development Co Ltd v Koshy (No 3)* [2003] EWCA Civ 1048, [2004] 1 BCLC 131, where a director who dishonestly breached his fiduciary duty resulting in misapplication of company funds was not liable in the absence of evidence that the company would have acted differently if the true position had been known.

1102. Absence of right of set-off in case of breaches of trust. Where a trustee is liable in respect of distinct breaches of trust, one of which has resulted in a loss and the other in a gain, he is not entitled to set off the gain against the loss, but is liable for the whole loss occasioned by the one breach, while the estate is entitled to the whole gain realised by the other[1].

1 *Adye v Feuilleteau* (1783) 3 Swan 84n. See also *Robinson v Robinson* (1848) 11 Beav 371 at 375 per Lord Langdale MR (varied on appeal (1851) 1 De GM & G 247); *Wiles v Gresham* (1854) 2 Drew 258. If a trustee loses one part of the trust estate, he must answer for it, whatever may be the improvement of the other part: *Wiles v Gresham* supra at 271 per Kindersley V-C; *Re Barker, Ravenshaw v Barker* (1898) 77 LT 712. A trustee may, however, set off gain and loss in the same transaction: *Fletcher v Green* (1864) 33

Beav 426; *Bartlett v Barclays Bank Trust Co Ltd* [1980] Ch 515, [1980] 1 All ER 139. See also *Hulbert v Avens* [2003] EWHC 76 (Ch), [2003] All ER (D) 309 (Jan). See also para 1104 post.

1103. Payment of trust moneys to a third party. Where a trustee in breach of trust pays away trust moneys to a person who has no right to receive the same, there is an immediate loss, placing the trustee under an immediate duty to restore the moneys to the trust fund. However, the fact that there is an accrued cause of action as soon as the breach is committed does not mean that the quantum of the compensation payable is ultimately fixed as at the date when the breach occurred. The quantum is fixed at the date of judgment, at which date, according to the circumstances then pertaining, the compensation is assessed at the figure then necessary to put the trust estate or the beneficiary back into the position it or he would have been in had there been no breach. The purpose of equitable compensation is to make good a loss in fact suffered by the beneficiaries and which, using hindsight and common sense, can be seen to have been caused by the breach[1].

As between the trustees and a person who is wrongly paid, the trustees, under the law of restitution based on the principle of unjust enrichment, have a right to recover the payment if it was paid under a mistake, whether of fact or law, subject to the defences available in the law of restitution such as the defence of change of position[2]. A trustee who transfers trust property in breach of trust is not prevented by that breach from asserting a claim for the recovery of the trust property or its proceeds from the transferee[3].

1 *Target Holdings Ltd v Redferns (a firm)* [1996] AC 421, [1995] 3 All ER 785, HL; *Bristol and West Building Society v May, May & Merrimans (a firm)* [1996] 2 All ER 801.

2 *Kleinwort Benson Ltd v Lincoln City Council* [1999] 2 AC 349, [1998] 4 All ER 513, HL; *Nurdin and Peacock plc v DB Ramsden & Co Ltd* [1999] 1 All ER 941, [1999] 1 WLR 1249; *Fea v Roberts* [2005] EWHC 2186 (Ch), 8 ITELR 231; *Re Clapham, Barraclough v Mell* [2006] WTLR 203. See also *Lipkin Gorman (a firm) v Karpnale Ltd* [1991] 2 AC 548, [1992] 4 All ER 512, HL. As to recovery of payment made under a mistake see RESTITUTION vol 40(2) (Reissue) para 1327 et seq. As to the defence of change of position see RESTITUTION vol 40(2) (Reissue) paras 1466–1469.

3 *Montrose Investment Ltd v Orion Nominees Ltd* [2004] EWCA Civ 1032, 7 ITELR 255.

1104. Improper reinvestment and neglect to invest. Where a trustee improperly sells a proper investment and invests in an improper investment, prima facie he is liable to replace the investment sold (and not merely to make good the proceeds misapplied); and if sale of the improper investment realises more than is required for this purpose, the excess belongs to the trust estate[1]. The replacement should be at the value of the proper investment at the date of the judgment or, exceptionally, the trustee may be liable to pay the difference in its price as between the date of the sale and the date at which it would, in any event, have been sold[2]. A trustee is, however, never charged with imaginary values[3]; and, where there is no loss, there is no liability[4]. If, therefore, he improperly invests trust money on an insufficient security which is realised at a loss, and the proceeds are invested in stock which is subsequently sold at a profit, he is entitled to the benefit of the profit towards discharge of his liability[5].

Where a trustee is directed to invest trust money in a particular stock or security and neglects to do so, he may at the option of the beneficiary be charged either with the principal sum which he has retained uninvested and interest on it[6], or with the amount of the stock or security which could have been purchased when he ought to have made the investment, and the dividends which would have accrued[7]. This option does not exist where the trustee has an alternative power to invest in real security, since, if he had done so, the capital of the trust fund would remain at the original figure[8].

1 *Earl Powlet v Herbert* (1791) 1 Ves 297; *Pocock v Reddington* (1801) 5 Ves 794; *Phillipson v Gatty* (1848) 6 Hare 26 (affd 7 Hare 516); *Re Bell's Indenture, Bell v Hickley* [1980] 3 All ER 425, [1980] 1 WLR 1217

(overruled on a different point by *Dubai Aluminium Co Ltd v Salaam* [2002] UKHL 48, [2003] 2 AC 366, [2003] 1 All ER 97). Similarly, where the trust instrument required the consent of the tenant for life to any variation of investment, and trustees with such consent sold an authorised investment for the purpose of making an unauthorised investment, they were held bound either to replace the stock originally sold or pay the difference in its price as between the date of its sale and the date when proceedings were begun: *Re Massingberd's Settlement, Clark v Trelawney* (1890) 63 LT 296, CA. The date of the judgment seems more appropriate than the date when the proceedings were begun, as pointed out in *Re Bell's Indenture, Bell v Hickley* supra.

2 *Re Bell's Indenture, Bell v Hickley* [1980] 3 All ER 425, [1980] 1 WLR 1217 (overruled on a different point by *Dubai Aluminium Co Ltd v Salaam* [2002] UKHL 48, [2003] 2 AC 366, [2003] 1 All ER 97).

3 *Palmer v Jones* (1682) 1 Vern 144.

4 *Re Deane, Bridger v Deane* (1889) 42 ChD 9 at 19, CA, per Lord Esher MR. The fact that a higher interest than would have been produced by authorised investments has been paid to a beneficiary for life from an unauthorised investment of trust money does not render the trustee liable to recoup the difference to the capital of the trust estate where he restores the principal sum in full: *Stroud v Gwyer* (1860) 28 Beav 130; *Re Appleby, Walker v Lever, Walker v Nisbet* [1903] 1 Ch 565, CA; *Slade v Chaine* [1908] 1 Ch 522, CA: *Re Hoyles, Row v Jagg (No 2)* [1912] 1 Ch 67.

5 *Fletcher v Green* (1864) 33 Beav 426. See also *Earl of Winchelsea v Norcliffe* (1686) 1 Vern 435. Where a trust estate, consisting in part of new shares in a company liable to calls and allotted in respect of original shares forming part of the estate, was lost through default of the trustee, he was held liable to make good the value of the estate less the amount of the calls on the new shares which had in fact been paid by him: *Briggs v Massey* (1882) 51 LJ Ch 447, CA.

6 See para 1106 et seq post. Cf para 1099 ante.

7 *Byrchall v Bradford* (1821) 6 Madd 13; *Robinson v Robinson* (1851) 1 De GM & G 247 at 256, 260–261 per Lord Cranworth LJ. As to the position where the trustee lends or uses the uninvested money in trade see para 1109 post.

8 *Marsh v Hunter* (1822) 6 Madd 295; *Shepherd v Mouls* (1845) 4 Hare 500; *Rees v Williams* (1847) 1 De G & Sm 314; *Robinson v Robinson* (1851) 1 De GM & G 247 at 257. Where a person is bound to do one of two things and does neither, the measure of damages is in general the loss arising from his having failed to do that which is the less beneficial of the two: *Robinson v Robinson* supra at 257–258. Where a range of investments is authorised, the beneficiaries may only claim for the principal sum and interest on it as it is impossible to say which of the investments the trustees would have chosen: *Shepherd v Mouls* supra; *Robinson v Robinson* supra.

1105. Neglect to realise security. Where a loss is sustained through a breach of trust on a trustee's part in neglecting to realise a security, he is charged with the full amount of the loss unless he can show that the full value of the security would not have been produced if he had realised the security when he ought to have done so[1]. If he shows this, his liability is limited to the amount by which the actual loss exceeds the sum which might have been obtained on a realisation made at the proper time[2].

1 *Earl of Gainsborough v Watcombe Terra Cotta Clay Co Ltd, Dunning v Earl of Gainsborough* (1885) 54 LJ Ch 991.

2 *Earl of Gainsborough v Watcombe Terra Cotta Clay Co Ltd, Dunning v Earl of Gainsborough* (1885) 54 LJ Ch 991.

B. PAYMENT OF INTEREST

1106. Liability for interest. Besides being required to account for principal trust money, a trustee is also charged with interest[1] on it where he can be proved to have received interest, or where the court considers that he ought to have received interest. Thus a trustee is liable for interest where in breach of his duty he: (1) retains trust money in his own hands uninvested[2]; or (2) mixes it with his own money or property[3]; or (3) employs it in trade or speculation[4]; or (4) applies it in an unauthorised manner[5]; or (5) pays it to the wrong person[6]; or (6) fails to produce or account for it when lawfully demanded by the beneficiary or ordered by the court[7].

1 As to the apportionment of interest from the date of the claim form until judgment see *Jaffray v Marshall* [1994] 1 All ER 143, [1994] 1 WLR 1285.

2 *Franklin v Frith* (1792) 3 Bro CC 433; *Ashburnham v Thompson* (1807) 13 Ves 402; *Dawson v Massey* (1809) 1 Ball & B 219 at 230–231 per Lord Manners LC; *Tebbs v Carpenter* (1816) 1 Madd 290; *Mousley v Carr* (1841) 4 Beav 49; *Robinson v Robinson* (1851) 1 De GM & G 247 at 255–256; *Re Hulkes, Powell v Hulkes* (1886) 33 ChD 552 at 558. See also para 968 ante.

3 *Melland v Gray* (1845) 2 Coll 295 at 301; *Williams v Powell* (1852) 15 Beav 461; *Cook v Addison* (1869) LR 7 Eq 466.

4 See para 1109 post.

5 *Hutchins v Hutchins* (1851) 15 Jur 869; *Re Faure Electric Accumulator Co* (1888) 40 ChD 141 at 158; *Wassell v Leggatt* [1896] 1 Ch 554; *Gordon v Gonda* [1955] 2 All ER 762, [1955] 1 WLR 885, CA; *Bartlett v Barclays Bank Trust Co Ltd (No 2)* [1980] Ch 515, [1980] 2 All ER 92.

6 *Re Hulkes, Powell v Hulkes* (1886) 33 ChD 552.

7 *Sammes v Rickman* (1792) 2 Ves 36; *Pearse v Green* (1819) 1 Jac & W 135 at 140–141; *Dobson v Pattinson* (1857) 5 WR 771; *Wroe v Seed* (1863) 4 Giff 425; *Price v Price* (1880) 42 LT 626.

1107. Interest on income. A trustee is not generally charged with interest on the income which accrues during the time in which trust property is improperly dealt with[1].

1 *Macartney v Blackwood* (1795) Ridg L & S 602; *Re Lord Magheramorne's Estate, Hogg v Hogg* [1901] WN 152. Where, however, the breach of trust takes place with reference to the income, he may be charged with interest in respect of it: *Melland v Gray* (1845) 2 Coll 295.

1108. Rate of interest. Where a trustee simply fails to invest trust money which he ought to have invested, and there are no special circumstances in the case, he is in general charged with simple interest. According to some cases the rate is that allowed from time to time on money in the Supreme Court on the special account[1]; and according to others it is one per cent above bank rate[2]. He will be charged at the actual higher rate he received where his breach of trust led to his receiving a higher rate of interest[3]. He will be charged at the higher rate which he ought to have continued to receive where he improperly sold a higher income producing investment and purchased a lower income producing improper investment[4]. He will also be charged at a higher rate if he used the trust property for his own commercial advantage or was guilty of fraud or serious misconduct[5]; in such a case he will normally be charged compound interest with yearly rests at one per cent above the clearing banks' base rate from time to time[6], although, if his commercial profit from the trust property is ascertainable, the beneficiaries have the option of claiming that profit instead of interest[7].

1 *Bartlett v Barclays Bank Trust Co Ltd (No 2)* [1980] Ch 515, [1980] 2 All ER 92; *Wallersteiner v Moir (No 2)* [1975] QB 373, [1975] 1 All ER 849, CA. In earlier times the rate was 4%: *Hall v Hallet* (1784) 1 Cox Eq Cas 134 at 138; *Jones v Foxall* (1852) 15 Beav 388 at 392 per Romilly MR; *Imperial Mercantile Credit Association (Liquidators) v Coleman* (1873) LR 6 HL 189 at 209–210 per Lord Cairns LC. Compound interest may be awarded in the case of a breach of duty to accumulate: *Re Barclay, Barclay v Andrew* [1899] 1 Ch 674. As to the rate of interest on funds lodged in court see the Administration of Justice Act 1982 s 38(7); the Court Fund Rules 1987, SI 1987/821, Pt IV (rr 26–33) (as amended). As from a day to be appointed, the Supreme Court is renamed the Senior Courts by the Constitutional Reform Act 2005 s 59(1) (not yet in force): see para 632 note 1 ante; and COURTS. At the date at which this volume states the law no such day had been appointed.

2 *Belmont Finance Corpn v Williams Furniture Ltd (No 2)* [1980] 1 All ER 393, CA; *O'Sullivan v Management Agency and Music Ltd* [1985] QB 428, [1985] 3 All ER 351, CA. In *Re Evans, Evans v Westcombe* [1999] 2 All ER 777, 143 Sol Jo LB 72, a case involving the 'non-professional administrator of a small estate in times of more gentle inflation', 8% was awarded. See also *West v West* [2003] All ER (D) 17 (Jun), where the court awarded 1% over the special account rate.

3 *Re Emmet's Estate, Emmet v Emmet* (1881) 17 ChD 142.

4 *Mosley v Ward* (1805) 11 Ves 581; *Jones v Foxall* (1852) 15 Beav 388 at 392.

5 *Hall v Hallet* (1784) 1 Cox Eq Cas 134; *Re Hilliard* (1790) 1 Ves 89; *Raphael v Boehm* (1805) 11 Ves 92 (affd (1807) 13 Ves 407, 590); *Crackelt v Bethune* (1820) 1 Jac & W 586; *Brown v Sansome* (1825) M'Cle & Yo 427; *English v Willats* (1831) 1 LJ Ch 84; *Court v Robarts* (1839) 6 Cl & Fin 65, HL; *Hutchins v Hutchins* (1851) 15 Jur 869; *Jones v Foxall* (1852) 15 Beav 388 at 392; *Dobson v Pattinson* (1857) 5 WR 771; *Tyrrell v Bank of London* (1862) 10 HL Cas 26; *Burdick v Garrick* (1870) 5 Ch App 233; *Price v Price*

(1880) 42 LT 626; *Gilroy v Stephens* (1882) 30 WR 745; *Re Jones, Jones v Searle* (1883) 49 LT 91; *Gordon v Gonda* [1955] 2 All ER 762, [1955] 1 WLR 885, CA; *Polish Steam Ship Co v Atlantic Maritime Co* [1985] QB 41, [1984] 3 All ER 59, CA; *Guardian Ocean Cargoes Ltd v Banca do Brasil SA (No 3)* [1992] 2 Lloyd's Rep 193. See also *Mathew v TM Sutton Ltd* [1994] 4 All ER 793, [1994] 1 WLR 1455; *Clef Aquitaine SARL v Laporte Materials (Barrow) Ltd (sued as Sovereign Chemicals Industries Ltd)* [2000] 3 All ER 493, CA.

6 *Wallersteiner v Moir (No 2)* [1975] QB 373 at 398, [1975] 1 All ER 849 at 864, CA, per Buckley LJ (compound interest is awarded not as a punishment but as a conventional measure of the profit deemed to be made; it is only ordered for breach of a fiduciary duty); *Belmont Finance Corpn v Williams Furniture Ltd (No 2)* [1980] 1 All ER 393 at 419, CA. But cf *O'Sullivan v Management Agency and Music Ltd* [1985] QB 428, [1985] 3 All ER 351, where simple interest was awarded on money used in a joint venture benefiting the plaintiff as well as the defendant. See also *Williams v Powell* (1852) 15 Beav 461; *Re Davis, Davis v Davis* [1902] 2 Ch 314.

7 *Vyse v Foster* (1872) 8 Ch App 309 at 329 (affd (1874) LR 7 HL 318); *Re Davis, Davis v Davis* [1902] 2 Ch 314; *Gordon v Gonda* [1955] 2 All ER 762, [1955] 1 WLR 885, CA. See also para 1109 post.

C. ACCOUNT OF PROFITS

1109. Liability to account. Where a trustee makes a profit by an improper employment of trust money or property, he is liable to make good to the trust estate the amount of that profit in addition to the money or property improperly employed[1]. Where he makes a profit by improperly employing trust money in trade or speculation, he is liable at the beneficiary's option to account to the trust estate either for the profit actually made or for compound interest at one per cent above the clearing banks' base rate from time to time[2] on the amount of the trust money improperly employed[3].

A beneficiary is not prevented from bringing an action for account against a trustee by the principle that a shareholder cannot recover in respect of a claim that is purely reflective of a company's loss[4] unless the trustee can show that the whole of the claimed profit reflects what the company has lost and which it has a cause of action to recover[5].

1 *Re Kempson, ex p Shakeshaft* (1791) 3 Bro CC 197 at 198; *Brown v De Tastet* (1819) Jac 284; *Wedderburn v Wedderburn* (1838) 4 My & Cr 41 at 54; *Lord v Wightwick* (1854) 23 LJ Ch 235 at 238; *Sugden v Crossland* (1856) 3 Sm & G 192 at 194 per Stuart V-C; *Bowes v Toronto City* (1858) 11 Moo PCC 463 at 517–518, PC; *Williams v Stevens* (1866) LR 1 PC 352; *Fleeming v Howden* (1868) LR 1 Sc & Div 372, HL; *Vyse v Foster* (1874) LR 7 HL 318 at 333–334 per Lord Cairns LC.

2 *Wallersteiner v Moir (No 2)* [1975] QB 373, [1975] 1 All ER 849, CA; *Belmont Finance Corpn v Williams Furniture Ltd (No 2)* [1980] 1 All ER 393 at 419, CA. Interest is computed with yearly rests where trust property is employed in trade: *Piety v Stace* (1799) 4 Ves 620; *Heathcote v Hulme* (1819) 1 Jac & W 122; *Brown v Sansome* (1825) M'Cle & Yo 427; *Jones v Foxall* (1852) 15 Beav 388; *Penny v Avison* (1856) 3 Jur NS 62 at 63 per Wood V-C; *Re Davis, Davis v Davis* [1902] 2 Ch 314. However, yearly rests were not directed in *A-G v Solly* (1829) 2 Sim 518. See also Underhill and Hayton *Law relating to Trusts and Trustees* (17th Edn, 2007) p 478 et seq.

3 *Anon* (1755) 2 Ves Sen 629; *Pocock v Reddington* (1801) 5 Ves 794 at 800; *Bate v Scales* (1806) 12 Ves 402; *Heathcote v Hulme* (1819) 1 Jac & W 122; *Docker v Somes* (1834) 2 My & K 655; *Robinson v Robinson* (1851) 1 De GM & G 247 at 256–257; *Jones v Foxall* (1852) 15 Beav 388; *Re Davis, Davis v Davis* [1902] 2 Ch 314. The beneficiary may not claim both interest and profits, nor interest for one part of the time during which the trust money has been improperly employed and profits in respect of the other part: *Pocock v Reddington* supra at 800 per Arden MR; *Heathcote v Hulme* supra at 132. A claim against a constructive trustee on account of the profits of a business must be pursued promptly: *Re Jarvis, Edge v Jarvis* [1958] 2 All ER 336, [1958] 1 WLR 815.

4 *Prudential Assurance Co Ltd v Newman Industries Ltd (No 2)* [1982] Ch 204, [1982] 1 All ER 354, CA.

5 *Shaker v Al-Bedrawi, Shaker v Masry, Shaker v Steggles Palmer (a firm)* [2002] EWCA Civ 1452, [2003] Ch 350, [2002] 4 All ER 835. See also *Re Lucking's Will Trusts, Renwick v Lucking* [1967] 3 All ER 726, [1968] 1 WLR 866; *Walker v Stones* [2001] QB 902, [2000] 4 All ER 412, CA.

D. COSTS

1110. Liability for costs. The ordinary right of a trustee to his costs of legal proceedings in relation to the trust to which he is a party[1] does not extend to proceedings instituted to remedy, or otherwise rendered necessary by, a breach of his

duty as trustee[2]. He will normally be ordered to pay the costs of such proceedings where he commits a direct breach of trust[3], or where he refuses or neglects to do his duty as trustee[4].

1 *Bennett v Attkins* (1835) 1 Y & C Ex 247; *Baker v Carter* (1835) 1 Y & C Ex 250; *King v King* (1857) 1 De G & J 663; *Re Silver Valley Mines* (1882) 21 ChD 381 at 386, CA, per Jessel MR. See para 906 et seq ante.

2 *Parrot v Treby* (1705) Prec Ch 254; *Brown v How* (1740) Barn Ch 354; *Moore v Prance* (1851) 9 Hare 299; *Gresham v Price* (1865) 35 Beav 47; *Re Love, Hill v Spurgeon* (1885) 29 ChD 348 at 350, CA, per Cotton LJ. See also para 910 ante.

3 See e g *A-G v Hobert* (1676) Case temp Finch 259; *Haberdashers' Co v A-G* (1702) 2 Bro Parl Cas 370; *Seers v Hind* (1791) 1 Ves 294; *Piety v Stace* (1799) 4 Ves 620; *Crackelt v Bethune* (1820) 1 Jac & W 586; *Baker v Carter* (1835) 1 Y & C Ex 250 at 254 per Lord Lyndhurst CB; *Byrne v Norcott* (1851) 13 Beav 336; *Cook v Addison* (1869) LR 7 Eq 466; *Heugh v Scard* (1875) 33 LT 659; *Re Radclyffe, Pearce v Radclyffe, De Foe v Radclyffe* (1881) 50 LJ Ch 317; *Plowright v Lambert* (1885) 52 LT 646 at 655 per Field J; *Re Jones, Christmas v Jones* [1897] 2 Ch 190 at 197 per Kekewich J. A trustee is not protected in such circumstances by an express direction in the instrument of trust that he is to be allowed his costs: *Hide v Haywood* (1741) 2 Atk 126. The usual rule is that the defendant trustee pays only costs on the standard basis: *Bartlett v Barclays Bank Trust Co Ltd (No 2)* [1980] Ch 515, [1980] 2 All ER 92. No interest may be awarded on costs before they have been taxed because until then the trustee does not know what he has to pay: *Bartlett v Barclays Bank Trust Co Ltd (No 2)* supra; *Bowen-Jones v Bowen-Jones* [1986] 3 All ER 163, [1986] NLJ Rep 894.

4 See e g *Hertford Corpn v Hertford Poor* (1713) 2 Bro Parl Cas 377; *East v Ryal* (1725) 2 P Wms 284; *Caffrey v Darby* (1801) 6 Ves 488 at 497; *Taylor v Glanville* (1818) 3 Madd 176 at 178 per Leach V-C; *A-G v East Retford Corpn* (1833) 2 My & K 35 (revsd (1838) 3 My & Cr 484, 8 LJ Ch 49, 2 Jur 1079); *Willis v Hiscox* (1839) 4 My & Cr 197; *Man v Ricketts* (1844) 7 Beav 93; *Boulton v Beard* (1853) 3 De GM & G 608; *A-G v Murdoch* (1856) 2 K & J 571; *Smith v Bolden* (1863) 33 Beav 262; *Southwell v Martin* (1869) 21 LT 135; *Heugh v Scard* (1875) 33 LT 659; *Coppinger v Shekleton* (1885) 15 LR Ir 461; *Re Skinner, Cooper v Skinner* [1904] 1 Ch 289; *Re Ruddock, Newberry v Mansfield* (1910) 102 LT 89, CA. 'Costs' will include the costs of investigations by forensic accountants: *Alenco (Holdings) Ltd v Bates* [2005] EWHC 1540 (Ch), [2005] All ER (D) 211 (Jun).

1111. Relief in certain cases. In some cases the court considers it sufficient merely to deprive the trustee of his own costs of the proceedings[1], and may decline to charge him with the costs of the other parties, even where it orders him to pay interest[2] in addition to refunding the principal lost by the breach of trust[3].

A trustee may even be allowed his own costs, where his mistake was merely technical or slight or there are other extenuating circumstances[4], or where the breach of trust has caused no loss to the trust estate or the loss has been made good before judgment in the proceedings[5].

1 *Ball v Montgomery* (1793) 2 Ves 191 at 199; *O'Callaghan v Cooper* (1799) 5 Ves 117 at 128; *Knight v Martin* (1829) 1 Russ & M 70; *England v Downs* (1842) 6 Beav 269 at 279; *Devey v Thornton* (1851) 9 Hare 222 at 232; *Heugh v Scard* (1875) 33 LT 659; *Gurney v Gurney* (1883) 48 LT 529. The representative of a deceased trustee who has endangered the trust estate is not entitled to be paid out of the trust estate his costs of an action to remedy the breach of trust (*Gurney v Gurney* supra), but may be paid them only out of the estate of the deceased (*Haldenby v Spofforth* (1846) 9 Beav 195). However, see *Melling v Melling* (1857) 6 WR 121 (where the costs of the heir of a defaulting trustee incurred in an unsuccessful attempt to protect the trust property were allowed).

2 As to interest see paras 1106–1108 ante.

3 *Ashburnham v Thompson* (1807) 13 Ves 402 at 404 per Grant MR; *Tebbs v Carpenter* (1816) 1 Madd 290 at 308 per Plumer V-C; *Mousley v Carr* (1841) 4 Beav 49 at 53; *Knott v Cottee* (1852) 16 Beav 77. A trustee may even be allowed his costs in such a case: *Sammes v Rickman* (1792) 2 Ves 36; *Fitzgerald v O'Flaherty* (1828) 1 Mol 347; *Woodhead v Marriott* (1837) Coop Pr Cas 62; *Mousley v Carr* supra at 53; *Fozier v Andrews* (1845) 2 Jo & Lat 199; *Chugg v Chugg* [1874] WN 185; *Re Davis, Davis v Davis* [1902] 2 Ch 314. As to the costs of charity trustees see CHARITIES vol 5(2) (2001 Reissue) paras 558–559.

4 *Parrot v Treby* (1705) Prec Ch 254; *Sammes v Rickman* (1792) 2 Ves 36; *Taylor v Tabrum* (1833) 6 Sim 281; *Bennett v Attkins* (1835) 1 Y & C Ex 247; *Baker v Carter* (1835) 1 Y & C Ex 250 (but see *Plowright v Lambert* (1885) 52 LT 646 at 655); *A-G v Caius College* (1837) 2 Keen 150; *Poole v Pass* (1839) 1 Beav 600; *Bailey v Gould* (1840) 4 Y & C Ex 221; *Harper v Munday, Horrocks v Munday* (1856) 2 Jur NS 1197; *Ryan v Nesbitt* [1879] WN 100; *Re Evans, Welch v Channell* (1884) 26 ChD 58 at 65, CA, per Cotton LJ.

Where a trustee denied that he was indebted to the trust estate and on taking the accounts a small sum was found to be still owing to it from him, he was not on that account deprived of his costs: *Turner v Hancock* (1882) 20 ChD 303, CA.

5 *Fitzgerald v Pringle* (1825) 2 Mol 534; *Royds v Royds* (1851) 14 Beav 54; *Fitzgerald v Fitzgerald* (1856) 6 I Ch R 145; *Peacock v Colling* (1885) 54 LJ Ch 743 at 746, CA, per Cotton LJ. Cf *Birks v Micklethwait* (1864) 34 LJ Ch 362.

1112. Costs of innocent co-trustee. The costs of an innocent co-trustee who has been made a co-defendant in proceedings for breach of trust may be ordered to be paid by the trustee who actually committed the breach[1].

1 *Lockhart v Reilly, Reilly v Lockhart* (1856) 25 LJ Ch 697; *Boynton v Richardson* (1862) 31 Beav 340; *Price v Price* (1880) 42 LT 626; *Re Linsley, Cattley v West* [1904] 2 Ch 785. Trustees may properly sever their defences where there are reasonable grounds for doing so (e g where allegations of fraud or improper conduct are made only against one trustee): *Re Spurling's Will Trusts, Philpot v Philpot* [1966] 1 All ER 745, [1966] 1 WLR 920.

1113. Proceedings partly occasioned by breach of trust. Where proceedings are instituted or are carried on partly in reference to a breach of trust and partly for the general benefit of the trust estate, then, so far as the proceedings are unconnected with the breach of trust, a defaulting trustee is not ordered to pay the costs of them[1], and may, if the court thinks fit, be allowed his own costs[2].

1 *Newton v Bennet* (1784) 1 Bro CC 359; *Talbot v Marshfield* (1868) 3 Ch App 622; *Easton v Landor* (1892) 2 R 176, CA. Cf *Westover v Chapman* (1844) 1 Coll 177 at 183; *Payne v Parker* (1869) 17 WR 640.

2 *Sanderson v Walker, Campbell v Walker* (1807) 13 Ves 601 at 604; *Tebbs v Carpenter* (1816) 1 Madd 290 at 309; *Fitzgerald v Pringle* (1825) 2 Mol 534; *Pride v Fooks* (1840) 2 Beav 430; *Hewett v Foster* (1844) 7 Beav 348; *Heighington v Grant* (1845) 1 Ph 600; *Knott v Cottee* (1852) 16 Beav 77; *Rittson v Stordy* (1855) 1 Jur NS 771; *Bate v Hooper* (1855) 5 De GM & G 338 at 345; *Springett v Dashwood* (1860) 2 Giff 521; *Boynton v Richardson* (1862) 31 Beav 340; *Bell v Turner* (1877) 47 LJ Ch 75. See also para 910 ante. Costs occasioned by unfounded charges of fraud or wilful default made against trustees, or even the whole costs of the action in which they are made, fall upon the parties making such charges, and not upon the trustees, even though they have not acted strictly in accordance with their trust: *Passingham v Sherborn* (1846) 9 Beav 424; *Bartlett v Wood* (1861) 30 LJ Ch 614; *Massey v Massey* (1867) 17 LT 233.

(2) EXEMPTION AND RELIEFS

(i) Exemption under a Provision in the Trust Instrument

1114. Exemption clauses. The efficacy of a trustee exemption clause can be regarded as firmly established[1]. It is not contrary to public policy to exclude liability for gross negligence by an appropriate clause clearly worded to that effect. A trustee who prepares the trust instrument is not prevented from relying on an exemption clause included in it[2]. Where there is a doubt on the construction of a trust whether a trustee would be exempted from liability for breach of trust by a trustee exemption clause, such doubt should be resolved against the trustee and the clause construed so as not to protect him[3]. It appears that the provisions of the Unfair Contract Terms Act 1977 do not apply to trustee exemption clauses[4]. However, there are statutory provisions which may affect trustee exemption clauses in the context of financial services[5], companies[6] and pensions[7].

The Law Commission has considered the question of whether there should be statutory regulation of trustee exemption clauses[8], but in its final report it decided against statutory regulation in favour of a rule of practice[9].

1 *Armitage v Nurse* [1998] Ch 241, [1997] 2 All ER 705, CA. In this case, a clause in a settlement provided that no trustee should be liable for any loss or damage to the fund or its income 'unless such loss or damage shall be caused by his own actual fraud'. It was held that the clause was effective no matter how

indolent, imprudent, lacking in diligence, negligent or wilful he might have been, so long as he had not acted dishonestly; the clause was not repugnant to the trust; a clause which purported to exclude liability for dishonesty and lack of good faith would be repugnant as it would derogate from the irreducible core of obligations of honesty and good faith: *Armitage v Nurse* supra at 253 and 713 per Millett LJ.

For the meaning of dishonesty see *Walker v Stones* [2001] QB 902, [2000] 4 All ER 412, CA; and para 704 ante. In *Woodland-Ferrari v UCL Group Retirement Benefits Scheme* [2002] EWHC 1354 (Ch), [2003] Ch 115, [2002] 3 All ER 670, wilful default was held not to be the same as fraudulent breach of trust.

For earlier decisions see: *Birls v Betty* (1821) 6 Madd 90; *Wilkins v Hogg* (1861) 10 WR 47, CA; *Pass v Dundas* (1880) 43 LT 665. The indemnity clause usually inserted in settlements and wills does not, however, protect a trustee against a breach of trust committed by himself: *Mucklow v Fuller* (1821) Jac 198; *Fenwick v Greenwell* (1847) 10 Beav 412; *Drosier v Brereton* (1851) 15 Beav 221; *Dix v Burford* (1854) 19 Beav 409; *Brumridge v Brumridge* (1858) 27 Beav 5; *Rehden v Wesley* (1861) 29 Beav 213; *Eaves v Hickson* (1861) 30 Beav 136.

2 *Bogg v Raper* (1998) 1 ITELR 267, (1998) Times, 22 April, CA. In this case, it was held that the mere fact that the person named as a trustee was the draftsman of the trust instrument is not sufficient to make an exculpatory provision ineffective; but it is, of course, otherwise if the draftsman inserted the provision without calling the settlor's attention to it and knowing that the settlor did not realise its effect: *Bogg v Raper* supra at 287 per Millett LJ.

3 *Wight v Olswang* (1998) Times, 17 September; revsd on a question of construction without affecting this point (1999) Times, 18 May, CA. In this case, it was held, and affirmed on the appeal, that where a settlement had two trustee exemption clauses, one protecting all trustees from liability for breach of trust and one which expressly did not apply to paid trustees, then paid trustees could not rely on the general exemption.

4 *Baker v JE Clark & Co* [2006] EWCA Civ 464, [2006] All ER (D) 337 (Mar). See also *Trustee Exemption Clauses* (Law Com no 301) (2006) (Cm 6874) para 2.26.

5 Any clause purporting to exempt the manager or trustee of an authorised unit trust scheme (as defined in the Financial Services and Markets Act 2000 237(3): see FINANCIAL SERVICES) from liability for any failure to exercise due care and diligence is void: see s 253; and FINANCIAL SERVICES vol 18(1) (Reissue) para 466.

6 Any provision purporting to exempt or indemnify a trustee of a debenture trust deed who has failed to show the degree of care and diligence required of him as trustee is void: see the Companies Act 1985 s 192 (prospectively repealed); the Companies Act 2006 s 750 (not yet in force); and COMPANIES vol 7(2) (2004 Reissue) para 1536.

Any provision, whether contained in the company's articles or in any contract, purporting to exempt any person employed by the company as auditor from liability in respect of breach of trust in relation to the company is void: see the Companies Act 1985 s 310 (prospectively repealed); the Companies Act 2006 s 532 (not yet in force); and COMPANIES vol 7(2) (2004 Reissue) para 1125. This provision creates an inequality between incorporated and non-incorporated charities: see *Trustee Exemption Clauses* (Law Com no 301) (2006) (Cm 6874) para 2.36.

7 Liability for breach of an obligation under any rule of law to take care or exercise skill in the performance of any investment functions by a trustee of the scheme or by a person to whom the function has been delegated under the Pensions Act 1995 s 34 cannot be excluded or restricted by any instrument or agreement: see s 33(1); and SOCIAL SECURITY AND PENSIONS vol 44(2) (Reissue) para 803.

8 *Trustees' Powers and Duties* (Law Com no 260) (1999).

9 *Trustee Exemption Clauses* (Law Com no 301) (2006) (Cm 6874) para 7. The Commission recommended that the main elements of the rule should be: (1) any paid trustee who causes a settlor to include a clause in a trust instrument which has the effect of excluding or limiting liability for negligence must before the creation of the trust take such steps as are reasonable to ensure that the settlor is aware of the meaning and effect of the clause; (2) regulatory and professional bodies should make regulation to such effect in order to meet the particular circumstances of their membership and should enforce such regulation in accordance with their codes of conduct, and bodies whose membership includes the drafters of trusts should extend regulation to those who draft trust documentation containing trustee exemption provisions; (3) the government should promote the application of this rule of practice as widely as possible across the trust industry: *Trustee Exemption Clauses* (Law Com no 301) (2006) (Cm 6874) paras 7.2–7.4. Rules to such effect have been made: see *Practice Rules to the Trustee Exemption Clauses*, made by the Society of Trust and Estate Practitioners.

(ii) Statutory Exemptions

1115. Limitation of trustee's liability to his own defaults. The Trustee Act 2000 contains extensive provisions relating to the employment of agents, nominees

and custodians[1]. A trustee is not liable for any act or default of an agent, nominee or custodian unless he has failed to comply with the duty of care applicable to him[2] when entering into the arrangement under which the person acts[3] or carrying out his continuing duties in relation to the arrangement[4].

1 Trustee Act 2000 Pt IV (ss 11–27). The new rules apply to trusts created both before and after the commencement of the Act (i e 1 February 2001) (s 27) and are in addition to any powers conferred otherwise than by the Act (s 26(a)) but subject to any restrictions imposed by the trust instrument or any other legislation (s 26(b)).
2 Ibid ss 1, 2, Sch 1 para 3. See para 949 ante.
3 Ibid s 23. See para 988 et seq ante.
4 Ibid s 23. See para 994 et seq ante.

1116. Adoption of the Law of Property Act 1925. Whether acting with or without a solicitor[1], trustees and other persons in a fiduciary position are not guilty of neglect or breach of duty, and do not become in any way liable, by reason of the omission in good faith on the part of themselves or their solicitor to negative, in any instrument or in connection with any contract or transaction, any of the powers, covenants, provisions, stipulations or words given, included, implied or made applicable by the Law of Property Act 1925[2], or by reason of the omission to insert or apply any others in place of them, in any case where the provisions of that Act would allow of their or his doing so[3].

1 For these purposes, any reference to a solicitor is to be construed as including: (1) a reference to a licensed conveyancer (see SOLICITORS vol 44(1) (Reissue) para 550) or to a recognised body providing conveyancing services (see SOLICITORS vol 44(1) (Reissue) para 610) and any reference to a person's solicitor is to be construed as including a reference to a licensed conveyancer or a recognised body acting for that person (see the Administration of Justice Act 1985 s 34(2)(a)); and (2) a reference to a recognised body (see SOLICITORS vol 44(1) (Reissue) para 383) and any reference to a person's solicitor is to be construed as including a reference to a recognised body acting for that person (s 9(6), Sch 2 para 37(a)).
2 As to these powers and provisions see e g DEEDS AND OTHER INSTRUMENTS vol 13 (2007 Reissue) para 236; MORTGAGE vol 32 (2006 Reissue) para 644 et seq; SALE OF LAND vol 42 (Reissue) paras 293, 338, 349.
3 See the Law of Property Act 1925 s 182(1), (3), (4). See also MORTGAGE vol 32 (2005 Reissue) para 379; SOLICITORS vol 44(1) (Reissue) para 155. Save as expressly provided by the Law of Property Act 1925, nothing in that Act is to be taken to imply that the insertion in any instrument, or the adoption in connection with, or the application to, any contract or transaction, of any further or other powers, covenants, provisions, stipulations or words is improper: s 182(2).

1117. Investing on authorised but insufficient security. The protection formerly available to a trustee who advanced too much trust money on a mortgage security, which would at the time of the investment have been a proper investment in all respects for a smaller sum, is not available for advances made after the coming into force of the Trustee Act 2000[1]. However, the protection continues for advances made before that date[2].

1 See the Trustee Act 1925 s 9(1), (2) (repealed with savings: see para 1017 ante). See also para 1030 ante. As to the commencement of the Trustee Act 2000 see para 603 note 9 ante.
2 Ibid s 40(2), Sch 3 para 3.

(iii) Concurrence or Condonation by Beneficiaries

1118. Effect of concurrence or acquiescence. Beneficiaries[1] who actively concur or passively acquiesce without original concurrence in a breach of trust can obtain no relief against the trustee in respect of it[2] if at the time of their concurrence or acquiescence they were of full age[3] and under no incapacity[4], were not acting under undue influence[5] and were fully informed of the circumstances[6]. Assent to a breach of

trust may be given by a beneficiary entitled in reversion[7], but a person who becomes the administrator of a beneficiary is not as such bound by his previous personal acquiescence in the breach[8]. The concurrence of the beneficiary in the breach need not be expressed in writing[9].

A person who actively concurs in the division of a trust fund in ignorance that he has himself an interest in it and that the division is a breach of trust cannot afterwards make the trustee liable for the amount of his interest in it[10]. A person claiming under a beneficiary stands in the same position as the beneficiary himself[11].

1 In charitable trusts it seems that only the Attorney General can effectively consent to or acquiesce in a breach of trust: *Re Freeston's Charity, Sylvester v University College, Oxford* [1978] 1 All ER 481 at 490, [1978] 1 WLR 120 at 129–130; affd [1979] 1 All ER 51, [1978] 1 WLR 741, CA. In the case of a charitable trust the Attorney General and the Charity Commission have power in certain circumstances to authorise the payment of an ex gratia payment which is not within the terms of the trust: see CHARITIES vol 5(2) (2001 Reissue) paras 368–370. In the case of a derivative action the test to be applied in determining whether a shareholder's acquiescence in what happened was sufficient to disentitle the shareholder from claiming against a director for breach of fiduciary duty is the same test as that applicable in the analogous case of a beneficiary's acquiescence in a breach of trust: see *Knight v Frost* [1999] 1 BCLC 364 at 375 per Hart J.

2 *Brice v Stokes* (1805) 11 Ves 319 at 325–326 per Lord Eldon LC; *Walker v Symonds* (1818) 3 Swan 1 at 64; *Byrchall v Bradford* (1821) 6 Madd 13; *Nail v Punter* (1832) 5 Sim 555; *Lincoln v Wright* (1841) 4 Beav 427 at 432 per Lord Langdale MR; *Stretton v Ashmall* (1854) 3 Drew 9; *Re Biddulph, ex p Barnewall, Countess De Front's Executors' Case* (1855) 6 De GM & G 801 at 812; *Hope v Liddell, Liddell v Norton* (1855) 21 Beav 183 at 210; *Re M'Kenna's Estate, ex p Busteed* (1861) 5 LT 241, CA; *Butler v Carter* (1868) LR 5 Eq 276 at 281 per Lord Romilly MR; *Sleeman v Wilson* (1871) LR 13 Eq 36; *Phipps v Boardman* [1964] 2 All ER 187, [1964] 1 WLR 993 (no appeal on this point); *Allan v Rea Brothers Trustees Ltd* [2002] EWCA Civ 85, 4 ITELR 627. See also paras 1131–1133 post. As to the effect of acquiescence in equity generally see EQUITY vol 16(2) (Reissue) para 909. A beneficiary who consents to a breach of trust cannot claim against the trustee in respect of it under cover of the non-concurrence of other beneficiaries: *Fletcher v Collis* [1905] 2 Ch 24 at 32 et seq, CA, per Romer LJ. The principle that the beneficiary cannot complain of a breach of trust to which he was party does not preclude a corporation from seeking relief against a fraudulent and illegal use of its powers by certain of its members to deprive it of property to which it was by law entitled: *A-G v Wilson* (1840) Cr & Ph 1 at 23 per Lord Cottenham LC. See also *Belmont Finance Corpn Ltd v Williams Furniture Ltd* [1979] Ch 250, [1979] 1 All ER 118, CA; *Belmont Finance Corpn v Williams Furniture Ltd (No 2)* [1980] 1 All ER 393, CA.

3 *Adye v Feuilleteau* (1783) 3 Swan 84n at 87n–88n per Lord Loughborough LC; *Wilkinson v Parry* (1828) 4 Russ 272 at 276; *March v Russell* (1837) 3 My & Cr 31 at 42. See CHILDREN AND YOUNG PERSONS vol 5(3) (Reissue) para 1802. The protection of the court in relation to minors is continued after they have attained full age until they have acquired all the information which they might have had if they had been all along of mature years: *Walker v Symonds* (1818) 3 Swan 1 at 69 per Lord Eldon LC.

4 *Crosby v Church* (1841) 3 Beav 485 at 489; *Mara v Manning* (1845) 2 Jo & Lat 311 at 318; *Cresswell v Dewell* (1863) 4 Giff 460 at 465; *Fletcher v Green* (1864) 33 Beav 426 at 429; *Fletcher v Collis* [1905] 2 Ch 24 at 31–32, CA, per Vaughan Williams LJ.

5 *Lloyd v Attwood, Attwood v Lloyd* (1859) 3 De G & J 614 at 649 per Turner LJ. See also EQUITY vol 16(2) (Reissue) paras 417, 426; MISREPRESENTATION AND FRAUD vol 31 (2003 Reissue) para 839 et seq. If a trustee knows or ought to know that the beneficiary was acting under the undue influence of another person, the beneficiary's consent or acquiescence is no defence: *Re Pauling's Settlement Trusts, Younghusband v Coutts & Co* [1964] Ch 303, [1963] 3 All ER 1, CA.

6 *Ryder v Bickerton* (1743) 3 Swan 80n at 83n; *Walker v Symonds* (1818) 3 Swan 1 at 69, 73; *Adams v Clifton* (1826) 1 Russ 297; *March v Russell* (1837) 3 My & Cr 31 at 42–43; *Fyler v Fyler* (1841) 3 Beav 550 at 560 per Lord Langdale MR; *Burrows v Walls* (1855) 5 De GM & G 233 at 251–252 per Lord Cranworth LC; *Thompson v Finch* (1856) 8 De GM & G 560 at 566; *Bullock v Downes* (1860) 9 HL Cas 1 at 19; *Rehden v Wesley* (1861) 29 Beav 213 at 215 per Romilly MR; *Westmoreland v Holland* (1871) 23 LT 797 at 799 per Stuart V-C; *Dixon v Dixon* (1878) 9 ChD 587; *Re Jackson, Wilson v Donald* (1881) 44 LT 467; *Crichton v Crichton* [1896] 1 Ch 870 at 875, CA, per Lindley LJ. In the case of a person of full age there may be a prima facie presumption that he is acting with a full knowledge of all the circumstances: *Sawyer v Sawyer* (1855) 28 ChD 595 at 604, CA, per Fry LJ. See also *John v James* [1991] FSR 397 at 439 per Nicholls J.

7 *Life Association of Scotland v Siddal, Cooper v Greene* (1861) 3 De GF & J 58 at 73 per Turner LJ.

8 *Re Clarke, ex p Smith* (1841) 2 Mont D & De G 113.

9 *Macleod v Annesley* (1853) 16 Beav 600 at 607; *Fletcher v Collis* [1905] 2 Ch 24 at 33, CA.

10 *Evans v Benyon* (1887) 37 ChD 329 at 344, CA, per Cotton LJ. As to the right to recover overpayments from a beneficiary where the trustee is also a beneficiary see para 1133 post.

11 *Williams v Lomas* (1852) 16 Beav 1; *Brewer v Swirles* (1854) 2 Sm & G 219; *Fletcher v Collis* [1905] 2 Ch 24, CA.

1119. Nature of consent. Where a beneficiary sues in respect of a breach of trust, then, if his consent or concurrence is relied on as a defence to his proceedings, the court has to consider all the circumstances with a view to deciding whether it is fair and equitable[1] that he should sue the trustees; but it is not necessary for the purpose of protecting them that the beneficiary should have known that it was a breach of trust in which he concurred, if he fully understood in what he concurred[2], nor is it necessary that he himself should have benefited from the breach[3]. There is no hard and fast rule that ignorance of a legal right prevents an effective consent being given, but all the circumstances must be looked at to see whether it is just that the complaining beneficiary should succeed against the trustee[4]. There must be a full and frank disclosure so that the beneficiary is put fully in the picture[5].

1 Although the court can consider all the circumstances, the inquiry is concerned with the requisite degree of knowledge. There is no principle of the law of contract or trusts which makes a release ineffective simply because it is unfair: *Chellaram v Chellaram (No 2)* [2002] EWHC 632 (Ch) at [187], [2002] 3 All ER 17 at [187], 4 ITELR 729 at [187] per Lawrence Collins J.

2 See *Re Pauling's Settlement Trusts, Younghusband v Coutts & Co* [1961] 3 All ER 713 at 730, [1962] 1 WLR 86 at 108 per Wilberforce J; on appeal (where no opinion was expressed on this point) [1964] Ch 303, [1963] 3 All ER 1, CA. This point was approved in *Holder v Holder* [1968] Ch 353 at 394, 399, 406, [1968] 1 All ER 665 at 673, 678, 683, CA; and in *Re Freeston's Charity, Sylvester v University College, Oxford* [1979] 1 All ER 51 at 62, [1978] 1 WLR 741 at 754, CA.

3 *Re Pauling's Settlement Trusts, Younghusband v Coutts & Co* [1961] 3 All ER 713 at 730, [1962] 1 WLR 86 at 108; on appeal [1964] Ch 303, [1963] 3 All ER 1, CA. See note 2 supra. See also *Chillingworth v Chambers* [1896] 1 Ch 685 at 700, CA, per Lindley LJ; *Fletcher v Collis* [1905] 2 Ch 24 at 32 et seq, CA, per Romer LJ.

4 *Holder v Holder* [1968] Ch 353 at 394, [1968] 1 All ER 665 at 673, CA; *Re Freeston's Charity* [1979] 1 All ER 51 at 62, [1978] 1 WLR 741 at 754, CA. Even where a beneficiary is not precluded from suing the trustees by his consent at the time of the transaction, he may be precluded from doing so on the ground of acquiescence, if by his conduct after he has properly appreciated the position he has done anything which is equivalent to a release of his claims or on which an estoppel may be found against him: see *Re Pauling's Settlement Trusts, Younghusband v Coutts & Co* [1961] 3 All ER 713 at 735–736, [1962] 1 WLR 86 at 115–116; on appeal [1964] Ch 303, [1963] 3 All ER 1, CA. See also *Re Jarvis, Edge v Jarvis* [1958] 2 All ER 336, [1958] 1 WLR 815; *Shaw v Applegate* [1978] 1 All ER 123, [1977] 1 WLR 970, CA; *Swain v Law Society* [1981] 3 All ER 797, [1982] 1 WLR 17, CA (revsd without affecting this point [1983] 1 AC 598, [1982] 2 All ER 827, HL); *Taylor Fashions Ltd v Liverpool Victoria Trustees Co Ltd, Old and Campbell Ltd v Liverpool Friendly Society* [1982] QB 133n, [1981] 1 All ER 897. See also para 1118 ante.

5 *Phipps v Boardman* [1964] 2 All ER 187, [1964] 1 WLR 993 (no appeal on this point).

1120. Effect of condonation. A trustee is relieved from liability in respect of a breach of trust if he is released or indemnified by all the beneficiaries or other persons entitled to enforce the liability[1], provided that they are of full age[2] and under no incapacity, and are not acting under undue influence[3] and have full information as to all material circumstances connected with the breach of trust[4]. Where all do not join in the release, those who join are precluded from enforcing the liability[5] unless they only joined on the understanding that all should join[6]. A release of one of several trustees may operate to release the others also[7].

1 *Stackhouse v Barnston* (1805) 10 Ves 453 at 466 per Grant MR; *Williams v Lomas* (1852) 16 Beav 1; *Farrant v Blanchford* (1863) 1 De GJ & Sm 107 at 119–120 per Lord Westbury LC; *Aveline v Melhuish* (1864) 2 De GJ & Sm 288; *Evans v Benyon* (1887) 37 ChD 329 at 342, CA, per Cotton LJ. See also paras 1059, 1084 ante; and EQUITY vol 16(2) (Reissue) paras 906–908. A beneficiary may not proceed against a trustee for a breach of trust after accepting a benefit on the express condition that he is to refrain from doing so: *Egg v Devey* (1847) 10 Beav 444.

2 See CHILDREN AND YOUNG PERSONS vol 5(3) (Reissue) paras 12 et seq, 23. A minor who fraudulently consents to a breach of trust cannot later bring a claim against the trustee in respect of it: *Overton v Banister* (1844) 3 Hare 503. A release executed by a person immediately after attaining his majority is viewed with suspicion: *Wade v Cox* (1835) 4 LJ Ch 105; *Parker v Bloxam* (1855) 20 Beav 295.

3 *Bowles v Stewart* (1803) 1 Sch & Lef 209 at 226–227; *Lloyd v Attwood, Attwood v Lloyd* (1859) 3 De G & J 614 at 649; *Farrant v Blanchford* (1863) 1 De GJ & Sm 107 at 119–120 per Lord Westbury LC; *Reade v Reade* (1881) 9 LR Ir 409, Ir CA. See also para 1118 note 5 ante.

4 *Walker v Symonds* (1818) 3 Swan 1; *Hore v Becher* (1842) 12 Sim 465; *Stanes v Parker* (1846) 9 Beav 385; *Aspland v Watte* (1855) 20 Beav 474; *Lloyd v Attwood, Attwood v Lloyd* (1859) 3 De G & J 614 at 649–650; *Farrant v Blanchford* (1863) 1 De GJ & Sm 107 at 119–120; *Thomson v Eastwood* (1877) 2 App Cas 215 at 233–234, HL; *Reade v Reade* (1881) 9 LR Ir 409, Ir CA; *Re Garnett, Gandy v Macaulay* (1885) 31 ChD 1, CA. As to the advisability of the beneficiary having independent legal advice see *Re Pauling's Settlement Trusts, Younghusband v Coutts & Co* [1964] Ch 303, [1963] 3 All ER 1, CA.

5 *Aylwin v Bray* (1822) cited in 2 Y & J at 518n; *Morley v Lord Hawke* (circa 1801) cited in 2 Y & J 520; *Bather v Kearsley* (1844) 7 Beav 545.

6 See DEEDS AND OTHER INSTRUMENTS vol 13 (2007 Reissue) para 62.

7 *Blackwood v Borrowes* (1843) 4 Dr & War 441.

1121. Condonation by conduct. The relief of a trustee from liability by the beneficiary's conduct is governed by the same principles as relief by actual release[1]. A beneficiary who, knowing of a breach of trust, obtains from the trustee part only of the trust property to which he is entitled does not thereby lose his right to a further claim against the trustee in respect of the rest of the property unless an intention to abandon that right can be gathered from the surrounding circumstances[2].

1 *French v Hobson* (1803) 9 Ves 103.

2 *Re Cross, Harston v Tenison* (1882) 20 ChD 109 at 122, CA.

(iv) Relief by the Court

1122. Breach excused by ignorance of facts. Where a trustee commits what is in itself a breach of trust through ignorance of a fact which he could not with due diligence have ascertained, he may be relieved from liability for the breach[1]; but it seems that any inherent jurisdiction is now in practice superseded by the statutory provisions[2].

1 *Re Biddulph, ex p Norris* (1869) 4 Ch App 280 at 287 per Giffard LJ.

2 See the Trustee Act 1925 s 61; and para 1123 post.

1123. Relief for honest and reasonable conduct. If it appears to the court[1] that a trustee[2], whether appointed by the court or otherwise, is or may be[3] personally liable for a breach of trust, but has acted honestly[4] and reasonably[5] and ought fairly[6] to be excused for the breach[7] and for omitting to obtain the court's directions in the matter in which he committed the breach[8], the court may relieve him either wholly or partly from personal liability for the breach[9]. To have acted reasonably a trustee must at least have acted as an ordinary man of business would act in his own affairs[10], but the fact that he has so acted may not be sufficient to constitute reasonable conduct[11]. In the case of an investment on mortgage the requirements of the Trustee Act 1925[12] constitute a standard of reasonable conduct, although non-compliance with them is not necessarily unreasonable[13].

1 For the meaning of 'the court' see para 632 note 3 ante.

2 'Trustee' is defined by the Trustee Act 1925 s 68(17) so as to include the duties incident to the office of a personal representative and, where the context admits, a personal representative.

3 The words 'or may be' cover cases of doubtful construction: *Re Grindey, Clews v Grindey* [1898] 2 Ch 593, CA. The court need not decide whether or not the liability in fact exists: *Re Mackay, Griessemann v Carr* [1911] 1 Ch 300 at 306 per Parker J.

4 See *Re Stuart, Smith v Stuart* [1897] 2 Ch 583 at 590. See also *Walker v Stones* [2001] QB 902, [2000] 4 All ER 412, CA; and para 704 ante. One of several trustees acts honestly notwithstanding that he may have failed to prevent his co-trustee from acting dishonestly: *Re Smith, Hands v Andrews* [1893] 2 Ch 1 at 18, CA.

5 See note 10 infra.

6 'Fairly' means in fairness to himself and to other people who may be affected: *Marsden v Regan* [1954] 1 All ER 475 at 481, [1954] 1 WLR 423 at 434, CA, per Evershed MR.

7 See *National Trustees Co of Australasia Ltd v General Finance Co of Australasia Ltd* [1905] AC 373 at 380–381, PC (where it was said that it was not sufficient merely to show honesty and reasonableness, and that the position of a company performing the duties of a trustee for reward was different from that of an ordinary trustee). Cf *Re Windsor Steam Coal Co (1901) Ltd* [1929] 1 Ch 151 at 164–165, CA, per Lawrence LJ; and see *Re Waterman's Will Trusts, Lloyds Bank Ltd v Sutton* [1952] 2 All ER 1054 at 1055 (where Harman J said that a paid trustee was expected to exercise a higher standard of diligence and knowledge than an unpaid trustee); *Bartlett v Barclays Bank Trust Co Ltd* [1980] Ch 515 at 534, [1980] 1 All ER 139 at 152 (where Brightman J said that a higher duty of care is plainly due from a professional paid corporate trustee and refused relief on the basis that the defendant bank had not acted reasonably as it would not be fair to excuse it at the expense of the beneficiaries). The view to be taken in each case depends on its own circumstances: *Re Turner, Barker v Ivimey* [1897] 1 Ch 536 at 542 per Byrne J; *Re Kay, Mosley v Kay* [1897] 2 Ch 518 at 524 per Romer J. A trustee has been held not to be entitled to be excused by the breach having occurred through the fraud of his solicitor: *Davis v Hutchings* [1907] 1 Ch 356; but see *Re Smith, Smith v Thompson, Smith v Smith* (1902) 71 LJ Ch 411.

8 *Re Kay, Mosley v Kay* (1897) 2 Ch 518 at 524; *Re Grindey, Clews v Grindey* [1898] 2 Ch 593, CA; *Perrins v Bellamy* [1899] 1 Ch 797, CA.

9 Trustee Act 1925 s 61. See *Re Roberts, Knight v Roberts* (1897) 76 LT 479, CA (debt not recovered by executor); *Singlehurst v Tapscott Steamship Co Ltd (No 2)* [1899] WN 133, CA; *Re Houghton, Hawley v Blake* [1904] 1 Ch 622 at 626 (compromise of claim of co-executor); *Re Allsop, Whittaker v Bamford* [1914] 1 Ch 1, CA (income paid under advice of solicitor to a person not entitled); *Re Pawson's Settlement, Higgins v Pawson* [1917] 1 Ch 541 (payment of income to mortgagor after notice by mortgagee of mortgage); *Re Evans* [1999] 2 All ER 777. Cf *Williams v Byron* (1901) 18 TLR 172 (payment of funds to a solicitor for investment held unreasonable); *Prudential Assurance Co Ltd, Petitioners* 1952 SLT 121 (Scottish court refused to sanction retrospectively a sale by trustees administering an English trust of heritage in Scotland which the trustees had had no power to effect). The Trustee Act 1925 s 61 does not authorise the court to relieve a trustee in advance from liability for a contemplated breach of trust: *Re Tollemache* [1903] 1 Ch 457 at 465–466 per Kekewich J; and see *Re Rosenthal, Schwarz v Bernstein* [1972] 3 All ER 552, [1972] 1 WLR 1273. The mere fact that a trustee has acted throughout on a solicitor's advice will not automatically result in relief being given (*Marsden v Regan* [1954] 1 All ER 475, [1954] 1 WLR 423, CA); nor that counsel's advice was obtained (*Baden Delvaux & Lecuit v Société General pour Favoriser le Développement du Commerce et de l'Industrie en France SA* [1992] 4 All ER 161, [1983] BCLC 325). See also *Guinness plc v Saunders* [1988] BCLC 43 (where Browne-Wilkinson V-C doubted whether there was an absolute rule that a trustee who had retained part of the trust estate cannot be relieved from liability); on appeal [1988] 2 All ER 940, [1988] 1 WLR 863, CA; affd on other grounds [1990] 2 AC 663, [1990] 1 All ER 652, HL. As to the relief of personal representatives from liability see EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) paras 806–807. Where officers of a company are being proceeded against for breach of duty, the court has powers similar to those applying in relation to trustees: see COMPANIES vol 7(2) (2004 Reissue) para 1126.

10 *Re Turner, Barker v Ivimey* [1897] 1 Ch 536 at 542; *Re Stuart, Smith v Stuart* [1897] 2 Ch 583 at 590; *Re Dive, Dive v Roebuck* [1909] 1 Ch 328 at 343–344; *Shaw v Cates* [1909] 1 Ch 389 at 405; *Re Mackay, Griessemann v Carr* [1911] 1 Ch 300 at 306; *Ward-Smith v Jebb* (1864) 108 Sol Jo 919. Ignorance of the law does not of itself preclude a trustee from relief under the Trustee Act 1925 s 61: see *Holland v German Property Administrator* [1937] 2 All ER 807, CA. Where trustees had acted throughout in good faith and in accordance with the generally held view of the law, supported by judicial authority until that authority was overruled by the House of Lords, they were held to have acted honestly and reasonably and to be fairly entitled to be excused: *Re Wightwick's Will Trusts, Official Trustees of Charitable Funds v Fielding-Ould* [1950] Ch 260 at 266, [1950] 1 All ER 689 at 692 per Wynn-Parry J.

11 *Re Barker, Ravenshaw v Barker* (1898) 77 LT 712; *Re Lord De Clifford's Estate, Lord De Clifford v Quilter, Lord De Clifford v Marquis of Lansdowne* [1900] 2 Ch 707 at 716 per Farwell J. As to what is reasonable conduct generally see *Wynne v Tempest* [1897] 1 Ch 110; *Re Grindey, Clews v Grindey* [1898] 2 Ch 593 at 601, CA, per Chitty LJ; *Perrins v Bellamy* [1899] 1 Ch 797, CA; *Re Mackay, Griessemann v Carr* [1911] 1 Ch 300; *Re Allsop, Whittaker v Bamford* [1914] 1 Ch 1, CA; *Re Brookes, Brookes v Taylor* [1914] 1 Ch 558; *Re Pauling's Settlement Trusts, Younghusband v Coutts & Co* [1964] Ch 303, [1963] 3 All ER 1, CA (where improper exercises of a power of advancement were held to have been made honestly but not reasonably

in view of legal advice received by the trustees). The burden of proving honesty and reasonableness lies upon the trustee: *Re Stuart, Smith v Stuart* [1897] 2 Ch 583 at 590 per Stirling J. Cf *Re Kirbys Coaches Ltd* [1991] BCLC 414.

12 Ie the Trustee Act 1925 s 8 (repealed, without affecting the operation of s 8 in relation to loans or investments made before the coming into force of the repeal: see the Trustee Act 2000 s 40, Sch 3; and paras 1029–1030 ante).

13 *Re Stuart, Smith v Stuart* [1897] 2 Ch 583 at 591–592; *Waite v Parkinson* (1901) 85 LT 456. See also *Chapman v Browne* [1902] 1 Ch 785, CA; *Re Dive, Dive v Roebuck* [1909] 1 Ch 328; *Shaw v Cates* [1909] 1 Ch 389; *Palmer v Emerson* [1911] 1 Ch 758.

(v) Lapse of Time

1124. Fraud by trustee. No statutory period of limitation applies to a claim by a beneficiary under a trust[1] against a trustee, being a claim in respect of any fraud or fraudulent breach of trust to which the trustee was a party or privy[2]. The position is the same where the claim is made against a fiduciary in breach of fiduciary duty[3] in respect of any fraud[4].

1 For the meanings of 'trust' and 'trustee' see the Trustee Act 1925 s 68 para (17); and para 601 note 3 ante (applied by virtue of the Limitation Act 1980 s 38). It is important to ascertain whether or not there is a true trust relationship: see *Paragon Finance plc v DB Thakerar & Co (a firm)* [1999] 1 All ER 400 at 408–409, CA, where Millet LJ distinguished between: (1) those cases where the defendant, though not expressly appointed a trustee, has assumed the duties of a trustee by a lawful transaction which was independent of and preceded the breach of trust; and (2) cases where the trust obligation arises as a direct consequence of the unlawful transaction which is impeached by the claimant. In the first class of cases the defendant really is a trustee; in the second he is not, and he is liable to account to the claimant (dicta of the Court of Appeal of the Isle of Man (the Staff of Government Division of the High Court) in *Barlow Clowes International Ltd v Eurotrust International Ltd* (1998) 2 IFLR (ITELR) 42 doubted). See also *Taylor v Davies* [1920] AC 636, PC; *Coulthard v Disco Mix Club Ltd* [1999] 2 All ER 457, [2000] 1 WLR 707; *JJ Harrison (Properties) Ltd v Harrison* [2001] EWCA Civ 1467, [2002] 1 BCLC 162; *Gwembe Valley Development Co Ltd (in receivership) v Koshy (No 3)* [2003] EWCA Civ 1048, [2004] 1 BCLC 131. For circumstances in which an executor de son tort may be held to be a constructive trustee see *James v Williams* [2000] Ch 1, [1999] 3 All ER 309, CA.

In cases where the defendant is according to Millet LJ's classification supra not 'really' a trustee, a limitation period will be imposed by analogy: see para 1127 post.

2 See the Limitation Act 1980 s 21(1)(a); and LIMITATION OF ACTIONS vol 28 (Reissue) para 1037. Fraud or fraudulent breach of trust requires dishonesty: *Armitage v Nurse* [1998] Ch 241 at 260, [1997] 2 All ER 705 at 716, CA, per Millett LJ (relying on *Beaman v ARTS Ltd* [1949] 1 KB 550 at 558 per Lord Greene MR).

3 For guidance on the proper use of the term 'fiduciary duty' see *Bristol and West Building Society v Mothew (t/a Stapley & Co)* [1998] Ch 1 at 16, [1996] 4 All ER 698 at 710, CA, per Millett LJ (the expression is properly confined to those duties which are peculiar to fiduciaries and the breach of which attracts legal consequences differing from those consequent upon the breach of other duties). The distinguishing obligation of a fiduciary is the obligation of loyalty see para 954 note 1 ante. A servant who loyally does his incompetent best for his master is not unfaithful and is not guilty of a breach of fiduciary duty: *Bristol and West Building Society v Mothew (t/a Stapley & Co)* supra at 18 and 712.

Breach of non-fiduciary duties will be covered by the appropriate limitation period under the Limitation Act 1980 (e g breaches of contract are covered by s 5): see *Paragon Finance plc v DB Thakerar & Co (a firm)* [1999] 1 All ER 400, CA, at 415–416 (disapproving *Nelson v Rye* [1996] 2 All ER 186, [1996] 1 WLR 1378); *Coulthard v Disco Mix Club Ltd* [1999] 2 All ER 457, [1999] All ER (D) 212; *Cia de Seguros Imperio (a body corporate) v Heath (REBX) Ltd (formerly CE Heath & Co (North America) Ltd)* [2000] 2 All ER (Comm) 787, [2001] 1 WLR 112; *Gwembe Valley Development Co Ltd (in receivership) v Koshy (No 3)* [2003] EWCA Civ 1048, [2004] 1 BCLC 131.

4 The same distinction that exists in relation to trustees (see note 1 ante) exists in relation to fiduciaries: *Paragon Finance plc v DB Thakerar & Co (a firm)* [1999] 1 All ER 400 at 414, CA, per Millet LJ (there is a distinction between those whose fiduciary obligations preceded the acts complained of and those whose liability in equity was occasioned by the acts of which complaint was made). See also *Gwembe Valley Development Co Ltd (in receivership) v Koshy (No 3)* [2003] EWCA Civ 1048 at [89], [2004] 1 BCLC 131 at [89] per Mummery LJ. As to whether the Limitation Act 1980 s 21(1)(a) (see the text and notes 1–2 supra) applies in relation to dishonest assistance claims see *Cattley v Pollard* [2006] EWHC 3130 (Ch), [2007] WTLR 245, [2006] All ER (D) 106 (Dec).

1125. Trustee in possession of trust property. No statutory period of limitation applies to a claim by a beneficiary under a trust to recover from the trustee[1] trust property or the proceeds of it in the possession of the trustee, or previously received by the trustee and converted to his use[2].

Where, however, a trustee who is also a beneficiary under the trust receives or retains trust property or its proceeds as his share on a distribution of the trust property under the trust, then in any proceedings brought[3] to recover that property or its proceeds after the expiration of the statutory limitation period[4] his liability is limited to the excess over his proper share provided that the trustee acted honestly and reasonably in making the distribution[5].

1 For meaning of 'trust' and 'trustee' see the Trustee Act 1925 s 68 para (17); and para 601 note 3 ante (applied by virtue of the Limitation Act 1980 s 38). A person who holds as a constructive trustee within Millett LJ's first category will be a trustee for this purpose: see *JJ Harrison (Properties) Ltd v Harrison* [2001] EWCA Civ 1467, [2002] 1 BCLC 162.

2 See the Limitation Act 1980 s 21(1)(b); and LIMITATION OF ACTIONS vol 28 (Reissue) para 1037. Accordingly the trustees could not rely on the defence of limitation in *Wassell v Leggatt* [1896] 1 Ch 554; *Re Sharp* [1906] 1 Ch 793; *Re Eyre-Williams* [1923] 2 Ch 533; *Re Howlett, Howlett v Howlett* [1949] Ch 767, [1949] 2 All ER 490 (all decided under earlier legislation). Earlier legislation replaced by the Limitation Act 1980 s 21(1)(b) was held not to apply so that the trustees could rely on the statutory provisions in *Re Page* [1893] 1 Ch 304; *Re Gurney* [1893] 1 Ch 590; *Re Timmis* [1902] 1 Ch 176; *Re Tufnell* (1902) 18 TLR 705; *Re Fountaine* [1909] 2 Ch 382, CA. In relation to current legislation see *JJ Harrison (Properties) Ltd v Harrison* [2001] EWCA Civ 1467 at [39], [2002] 1 BCLC 162 at [39] per Chadwick LJ (in the context of a claim against a director who through an abuse of the trust and confidence reposed in him as a director had taken a transfer of the company's property to himself; the company was treated as 'the beneficiary' and the director as 'the trustee' for the purposes of s 21(1)(b)); *Newgate Stud Co v Penfold* [2005] EWHC 1015 (Ch), [2005] All ER (D) 376 (May); *Gwembe Valley Development Co Ltd (in receivership) v Koshy (No 3)* [2003] EWCA Civ 1048, [2004] 1 BCLC 131; *Halton International Inc v Guernroy* [2006] EWCA Civ 801, [2006] WTLR 1241 (emphasising the need for actual property as opposed to voting rights).

3 Ie by virtue of the Limitation Act 1980 s 21(1)(b): see the text and note 2 supra.

4 Ie prescribed by the Limitation Act 1980 for proceedings to recover trust property: see para 1126 post.

5 See ibid s 21(2); and LIMITATION OF ACTIONS vol 28 (Reissue) para 1037.

1126. Standard limitation period. Except in certain special cases[1], the mere fact that property is trust property does not prevent a trustee from pleading a limitation defence[2]. A claim by a beneficiary to recover trust property or in respect of a breach of trust, not being a claim for which a period of limitation is otherwise prescribed, cannot be brought after the expiry of six years from the date on which the right of action accrued[3]. However, a right of action is not deemed to have accrued to a beneficiary entitled to a future interest for this purpose until his interest falls into possession[4].

No beneficiary whose own claim has been barred can derive any benefit from a judgment or order obtained by any other beneficiary[5]. Where an action is based on fraud or mistake or there has been deliberate concealment or relevant facts have been concealed by the defendant, time does not start to run until the claimant has discovered the fraud, mistake or concealment or could with reasonable diligence have discovered it[6].

The view that breach of the self-dealing and fair-dealing rules were not subject to the six year limitation period[7] is no longer regarded as correct[8].

1 See the Limitation Act 1980 s 21(1)(a), (b); and paras 1124–1125 ante.

2 For meaning of trust and trustee and the application of the Limitation Act 1980 to constructive trusts see para 1124 note 1 ante. A fiduciary who is a constructive trustee in Millett LJ's first sense will be subject to the standard limitation period unless one of the exceptions contained in the Limitation Act 1980 s 21 (see paras 1124–1125 ante) applies.

3 See ibid s 21(3). There is a different period for personal representatives (see s 22); however, once the administration of the estate is complete a personal representative who continues to hold assets as a trustee

will be subject to the limitation period applying to trustees, not personal representatives (see *Davies v Sharples* [2006] WTLR 839, Ch). See also *Cattley v Pollard* [2006] EWHC 3130 (Ch), [2007] WTLR 245, [2006] All ER (D) 106 (Dec).

4 See the Limitation Act 1980 s 21(3). Cf LIMITATION OF ACTIONS vol 28 (Reissue) para 1040 et seq. Section 21(3) has no application to proceedings brought by the Attorney General to enforce a charitable trust for the benefit of the public at large: *A-G v Cocke* [1988] Ch 414, [1988] 2 All ER 391. A purported advance of capital in favour of a beneficiary does not amount to a falling into possession of the beneficiary's interest to the extent of the advance if the advance was a breach of trust and invalid: see *Re Pauling's Settlement Trusts, Younghusband v Coutts & Co* [1964] Ch 303, [1963] 3 All ER 1, CA (where the beneficiaries were seeking to recover the amount of the invalid advances from the trustees). A beneficiary with a contingent interest but in relation to whom the trustees have power to apply income or advance capital has only a future interest: *Armitage v Nurse* [1998] Ch 241 at 261, [1997] 2 All ER 705 at 719–720, CA.

5 See the Limitation Act 1980 s 21(4); and LIMITATION OF ACTIONS vol 28 (Reissue) para 1042. Thus if a trust fund is lost, and the claim of the tenant for life is barred, the trustees, if compelled to replace the trust fund by the remainderman, will be personally entitled to the income so long as the life interest subsists: *Re Somerset, Somerset v Earl Poulett* [1894] 1 Ch 231, CA.

6 Limitation Act 1980 s 32(1). See LIMITATION OF ACTIONS vol 28 (Reissue) para 1119. See *Sheldon v RHM Outhwaite (Underwriting Agencies) Ltd* [1994] 4 All ER 481, [1994] 1 WLR 754, CA; *Kleinwort Benson Ltd v Lincoln City Council* [1999] 2 AC 349, [1998] 4 All ER 513, HL; *Fea v Roberts* [2005] EWHC 2186 (Ch), [2006] WTLR 255, Ch; *Davies v Sharples* [2006] WTLR 839.

By the Limitation Act 1980 s 32(2) (see LIMITATION OF ACTIONS vol 28 (Reissue) para 1125) deliberate commission of a breach of duty in circumstances in which it is unlikely to be discovered for some time amounts to deliberate concealment of the facts involved in that breach: see *Liverpool Roman Catholic Archdiocese Trustees Inc v Goldberg* [2001] 1 All ER 182, (2000) Times, 18 July.

7 *Tito v Waddell (No 2), Tito v A-G* [1977] Ch 106 at 248–251, [1977] 3 All ER 129 at 247–250 per Sir Robert Megarry V-C. For the self-dealing rule see para 938 ante; and for the fair-dealing rule see para 946 ante.

8 *Gwembe Valley Development Co Ltd (in receivership) v Koshy (No 3)* [2003] EWCA Civ 1048, [2004] 1 BCLC 131 at 160 per Mummery LJ.

1127. Limitation period applied by analogy. Claims for breach of fiduciary duty[1] are not mentioned in the Limitation Act 1980. Such claims may amount to claims for breach of trust[2] in which case they will be subject to the provisions of the Limitation Act 1980 relevant to trustees[3]; or they may amount to actions for a personal obligation to account as a trustee[4] to which a limitation defence will be available by analogy[5] with common law claims[6]. No distinction will be made in point of limitation between an action for damages at common law and its counterpart in equity based on the same facts[7].

1 For the correct use of the term 'fiduciary duty' see para 1124 note 3 ante.

2 See para 1124 note 4 ante.

3 Ie the Limitation Act 1980 ss 21, 22: see paras 1124–1126 ante.

4 See para 1124 note 1 ante.

5 See the Limitation Act 1980 s 36(1), which allows the court to apply a limitation period in claims for equitable relief in like manner as the corresponding time limit under any enactment repealed by the Limitation Act 1939 was applied before 1 July 1939; and LIMITATION OF ACTIONS vol 28 (Reissue) para 819. As to the circumstances in which the court will so act see *Knox v Gye* (1872) LR 5 HL 656 at 674 per Lord Westbury. See also *Coulthard v Disco Mix Club Ltd* [1999] 2 All ER 457, [1999] All ER (D) 212; *Cia de Seguros Imperio (a body corporate) v Heath (REBX) Ltd (formerly CE Heath & Co (North America) Ltd)* [2000] 2 All ER (Comm) 787, [2001] 1 WLR 112, CA; *Gwembe Valley Development Co Ltd (in receivership) v Koshy (No 3)* [2003] EWCA Civ 1048, [2004] 1 BCLC 131.

6 A claim to equitable damages or compensation is a claim to equitable relief see *Cia de Seguros Imperio (a body corporate) v Heath (REBX) Ltd (formerly CE Heath & Co (North America) Ltd)* [2000] 2 All ER (Comm) 787 at 795, [2001] 1 WLR 112 at 119, CA, per Waller LJ. See also *Gwembe Valley Development Co Ltd (in receivership) v Koshy (No 3)* [2003] EWCA Civ 1048 at [89], [2004] 1 BCLC 131 at [89] per Mummery LJ; *Paragon Finance plc v DB Thakerar & Co (a firm)* [1999] 1 All ER 400 at 415–416, CA, per Millet LJ (disapproving *Nelson v Rye* [1996] 2 All ER 186, [1996] 1 WLR 1378); *Coulthard v Disco Mix Club Ltd* [1999] 2 All ER 457, [1999] All ER (D) 212.

7 *Coulthard v Disco Mix Club Ltd* [1999] 2 All ER 457, [1999] All ER (D) 212.

1128. Laches. Even though under the Limitation Act 1980 no period of limitation is applicable, proceedings against a trustee for breach of trust may be barred by the laches of the beneficiary, where that laches amounts to acquiescence or has caused the trustee to alter his position to his detriment[1]. The modern approach to laches or acquiescence does not require an exhaustive inquiry into whether the circumstances could fit within the principles established in previous cases. A broader approach should be adopted, namely whether it is unconscionable for the party concerned to be permitted to assert his beneficial rights[2]. Mere delay is never a bar in itself to equitable relief. It must be coupled with circumstances which make it inequitable to enforce the claim[3].

1 See *John v James* [1991] FSR 397; and EQUITY vol 16(2) (Reissue) para 914 et seq. Laches in the sense of a mere delay in taking proceedings does not operate as a defence where there is a statutory limitation period applicable which has not run: see *Re Pauling's Settlement Trusts, Younghusband v Coutts & Co* [1964] Ch 303, [1963] 3 All ER 1, CA; *Gwembe Valley Development Co Ltd (in receivership) v Koshy (No 3)* [2003] EWCA Civ 1048 at [139]–[141], [2004] 1 BCLC 131 at [139]–[141] per Mummery LJ; and EQUITY vol 16(2) (Reissue) para 910. See also *Re Loftus, Green v Gaul* [2006] EWCA Civ 1124, [2006] 4 All ER 1110, [2007] 1 WLR 591 (defence of laches not excluded by the Limitation Act 1980 s 21(1)(b) (see para 1125 ante)).

2 *Frawley v Neill* (1999) Times, 5 April, CA.

3 *Lindsay Petroleum Co v Hurd* (1874) 5 LR PC 221, PC; *Goldsworthy v Brickell* [1987] Ch 378, [1987] 1 All ER 853; *Johnson v EBS Pensioner Trustees Ltd* [2001] All ER (D) 90 (Mar).

(3) CONTRIBUTION AND INDEMNITY

(i) Contribution and Indemnity by Co-trustees

1129. Contribution between trustees. As trustees who have acted together in breach of trust are jointly and severally liable[1], a trustee who pays more than his quota of the loss is generally, but not always[2], entitled to contribution in respect of their quota of it from his co-trustees or their representatives[3]; and he has the same rights against them as the beneficiary had to whom he has made good the loss[4]. Independently of any claim by a beneficiary, one of several trustees who commits a breach of trust may be required by the others to make it good[5].

Where one of the trustees is also a beneficiary, he must bear the loss and indemnify his co-trustees to the full extent of his share in the trust estate, and may only claim contribution from them in respect of the amount, if any, by which the loss exceeds the value of his share[6]. However, a new trustee who is also a beneficiary, although he may be liable to the other beneficiaries for failure to have an existing breach of trust put right on his appointment, is not so liable to indemnify the original trustees but is himself entitled to be indemnified by the original trustees who were also responsible for the breach which was the primary cause of the loss[7].

Where one of the trustees obtains and uses trust property, such as money, for his personal benefit in a breach of trust in which the others took no active part, he is liable for any loss resulting from that breach and must indemnify his co-trustees against that loss[8].

Where one of the trustees is a solicitor controlling the administration of the trust and the other trustees are swayed by his advice to acquiesce in a breach of trust, he must indemnify his co-trustees against loss resulting from the breach[9].

1 See *A-G v Daugars* (1864) 33 Beav 621 at 624 per Romilly MR; and para 1086 ante.

2 See para 1130 post.

3 See e g *Lingard v Bromley* (1812) 1 Ves & B 114; *Jesse v Bennett* (1856) 6 De GM & G 609; *Prince v Hine (No 2)* (1859) 27 Beav 345; *Birks v Micklethwait* (1864) 33 Beav 409 at 411 per Romilly MR (but see *Micklethwait v Winstanley* (1864) 5 New Rep 204); *Fletcher v Green* (1864) 33 Beav 426 at 430; *A-G v Daugars* (1864) 33 Beav 621 at 624; *Re Eyton, Bartlett v Charles* (1890) 45 ChD 458; *Chillingworth v*

Chambers [1896] 1 Ch 685, CA; *Moxham v Grant* [1900] 1 QB 88 at 92, CA, per AL Smith LJ; *Jackson v Dickinson* [1903] 1 Ch 947. Where the breach of trust gave rise to a specialty debt (see para 1089 ante), the liability to contribute constitutes a speciality debt from the co-trustees liable to contribute: see the Mercantile Law Amendment Act 1856 s 5; and GUARANTEE AND INDEMNITY vol 20(1) (Reissue) paras 253, 265, 345.

4 *Birks v Micklethwait* (1864) 33 Beav 409 at 411–412.

5 *Powlet v Herbert* (1791) 1 Ves 297; *Franco v Franco* (1796) 3 Ves 75; *Baynard v Woolley* (1855) 20 Beav 583.

6 *Chillingworth v Chambers* [1896] 1 Ch 685 at 698, CA, per Lindley LJ. See also *Seifert v Pensions Ombudsman* [1997]1 All ER 214; revsd [1997] 4 All ER 947, CA. In *Moxham v Grant* [1900] 1 QB 88, CA (considered in *Bairstow v Queens Moat Houses plc* [2001] EWCA Civ 712, [2001] 2 BCLC 531) the court considered that the principle of equitable contribution as between delinquent trustees could apply as between company directors and shareholders who had received unlawful dividends with notice of the facts. See also para 1091 ante.

7 *Re Fountaine, Re Dowler, Fountaine v Lord Amherst*, not reported on this point in [1909] 2 Ch 382, CA, but cited in Underhill and Hayton *Law relating to Trusts and Trustees* (17th Edn, 2007) p 1158.

8 *Warwick v Richardson* (1842) 10 M & W 284; *Gray v Addison* (1856) 2 Jur NS 662; *Butler v Butler* (1877) 7 ChD 116 at 121, CA; *Bahin v Hughes* (1886) 31 ChD 390 at 395–396, CA, per Cotton LJ; *Wynne v Tempest* [1897] 1 Ch 110.

9 *Lockhart v Reilly* (1856) 25 LJ Ch 697; *Re Partington, Partington v Allen* (1887) 57 LT 654; *Re Turner, Barker v Ivimey* [1897] 1 Ch 536; *Re Linsley, Cattley v West* [1904] 2 Ch 785. However, a solicitor-trustee will not, merely because he is a solicitor, be made to indemnify a co-trustee in respect of a breach of trust in which the co-trustee participated actively and not merely in consequence of the advice and control of the solicitor: *Head v Gould* [1898] 2 Ch 250.

1130. Statutory right to contribution. The Civil Liability (Contribution) Act 1978 creates a statutory right to contribution in the discretion of the court which supersedes the equitable right to contribution as distinct from indemnity[1]. The Act does not apply to losses occurring before 1 January 1979[2] or to breaches of an obligation assumed by a person before that date[3]. Any person liable in respect of any damage suffered by another may recover contribution[4] from any other person liable for the same damage[5]. In proceedings for contribution[6] the court is given power to award in favour of one person against another contribution of such amount as is found to be just and equitable, having regard to the extent of the responsibility of that other for the loss[7]. The court may exempt any person from liability to make contribution or direct that the contribution to be recovered from any person is to amount to a complete indemnity[8]. The right of action for contribution becomes statute barred after the expiration of two years from the date on which it accrued[9]. The right accrues on the date of the judgment against a trustee for breach of trust[10] or on the date on which he and the beneficiaries reached a compromise agreement fixing the amount to be paid by him[11].

1 See the Civil Liability (Contribution) Act 1978 s 7(3); and DAMAGES vol 12(1) (Reissue) para 837; TORT vol 45(2) (Reissue) para 349. For examples of indemnity see para 1129 ante.

2 See ibid ss 7(1), 10(2); and DAMAGES vol 12(1) (Reissue) para 837; TORT vol 45(2) (Reissue) para 349.

3 Ibid s 7(2); and TORT vol 45(2) (Reissue) para 349.

4 A person is liable in respect of damage if the person who suffered it is entitled to recover compensation from him in respect of that damage (whatever the legal basis of his liability, whether tort, breach of contract, breach of trust or otherwise): ibid s 6(1).

5 Ibid s 1(1). The contribution principle is limited to liability for 'the same damage' and the phrase must be given its natural and ordinary meaning: *Royal Brompton NHS Trust v Hammond* [2002] UKHL 14 at [27], [2002] 2 All ER 801 at [27], [2002] 1 WLR 1397 at [27] per Lord Steyn. In *Friends Provident Life Office v Hillier, Parker, May and Rowden* [1997] QB 85, [1995] 4 All ER 260, CA (followed in *Hurstwood Developments Ltd v Motor and General and Andersley & Co Insurance Services Ltd (HB Boring & Co Ltd (Pt 20 defendants)* [2001] EWCA Civ 1785, [2002] Lloyd's Rep IR 185), the court applied a broad and purposive interpretation holding that a restitutionary claim for repayment of money paid under a mistake was a claim for damage suffered and so within the Act. Lord Steyn in *Royal Brompton NHS Trust v Hammond* supra at [33] held that a restitutionary claim cannot be said to be a claim to recover compensation within the meaning of the Civil Liability (Contribution) Act 1978 s 1(1) and, to that extent *Friends Provident Life Office v Hillier, Parker, May and Rowden* supra was wrong. But see *Charter plc v City Index Ltd (Gawler, Pt 20 defendants)* [2006] EWHC 2508 (Ch), [2007] 1 All ER 1049, [2006] All ER (D) 145 (Oct), where Sir Andrew Morritt C described Lord Steyn's comments as obiter and held that he

was bound to follow *Friends Provident Life Office v Hillier, Parker, May and Rowden* supra. The same approach was taken in *Niru Battery Manufacturing Co v Milestone Trading Co Ltd (No 2)* [2004] EWCA Civ 487 at [74]–[78], [2004] 2 All ER (Comm) 289 at [74]–[78] per Clarke LJ.

6 Ie proceedings under the Civil Liability (Contribution) Act 1978 s 1: see DAMAGES vol 12(1) (Reissue) para 839 et seq; TORT vol 45(2) (Reissue) para 349 et seq.

7 See ibid s 2(1); and DAMAGES vol 12(1) (Reissue) para 844; TORT vol 45(2) (Reissue) para 352.

8 See ibid s 2(2); and DAMAGES vol 12(1) (Reissue) para 844; TORT vol 45(2) (Reissue) para 352. The object of contribution proceedings under the Civil Liability (Contribution) Act 1978 is to ensure that each party responsible for the damage makes an appropriate contribution to the cost of compensating the claimant, regardless of where that cost has fallen in the first instance: *Dubai Aluminium Co Ltd v Salaam* [2002] UKHL 48 at [52], [2003] 2 AC 366 at [52], [2003] 1 All ER 97 at [52] per Lord Nicholls of Birkenhead. In a case of vicarious liability the employer stands in the shoes of the wrongdoer employee: see *Mara v Brown* [1896] 1 Ch 199, where the Court of Appeal held that a firm of solicitors will not be vicariously liable for loss caused by a solicitor acting as an express or constructive trustee (using the term 'constructive trustee' to describe someone who has taken upon himself the custody and administration of property on behalf of others (and who, therefore, falls into the first category set out by Millett LJ in *Paragon Finance plc v DB Thakerar & Co (a firm)* [1999] 1 All ER 400 at 408–409, CA: see para 1124 ante) since acting as such was not within his implied authority. However, in *Dubai Aluminium Company Ltd v Salaam* supra at [141]–[143] Millett LJ held that a firm will be vicariously liable for loss caused by conduct of a solicitor who does not deal with property on behalf of others but who receives it adversely to the claimant and as a result becomes liable to account as a trustee (falling into the second category set out by Millett LJ in *Paragon Finance plc v DB Thakerar & Co (a firm)* supra: see para 1124 ante) and the application of *Mara v Brown* supra in *Re Bell's Indenture, Bell v Hickley* [1980] 3 All ER 425, [1980] 1 WLR 1217 was held to be incorrect.

9 See the Limitation Act 1980 s 10(1); and LIMITATION OF ACTIONS vol 28 (Reissue) para 912.

10 See ibid s 10(3); and LIMITATION OF ACTIONS vol 28 (Reissue) para 913.

11 See ibid s 10(4); and LIMITATION OF ACTIONS vol 28 (Reissue) para 913.

(ii) Indemnity from Beneficiaries; Recoupment

1131. Impounding of interest. Where a trustee[1] commits a breach of trust[2] at the instigation or request[3], or with the consent in writing, of a beneficiary[4], the court[5], if it thinks fit[6], may make such order as to it seems just for impounding all or any part of the beneficiary's interest in the trust estate[7] by way of indemnity[8] to the trustee[9] or persons claiming through him[10].

1 For the meaning of 'trustee' see para 601 ante. See also *Mara v Browne* [1895] 2 Ch 69 at 94.

2 The act or omission instigated or requested must itself be a breach of trust, and not merely an act or omission which becomes a breach of trust by reason of want of care on the trustees' part: *Re Somerset, Somerset v Earl Poulett* [1894] 1 Ch 231 at 265, CA, per Lindley LJ.

3 The instigation or request need not be in writing: *Griffith v Hughes* [1892] 3 Ch 105; *Mara v Browne* [1895] 2 Ch 69 at 92.

4 The beneficiary must know what he is instigating or requesting or consenting to: *Re Somerset, Somerset v Earl Poulett* [1894] 1 Ch 231 at 270, 274, CA.

5 For the meaning of 'the court' see para 632 note 3 ante.

6 See *Ricketts v Ricketts* (1891) 64 LT 263 at 265; *Griffith v Hughes* [1892] 3 Ch 105 at 107; *Re Somerset, Somerset v Earl Poulett* [1894] 1 Ch 231 at 274, CA; *Bolton v Curre* [1895] 1 Ch 544.

7 See *Booth v Booth* (1838) 1 Beav 125; *Lincoln v Wright* (1841) 4 Beav 427 at 432; *Bentley v Robinson* (1859) 9 I Ch R 479. The interest must be in the actual estate of which the trustee seeking to impound is trustee: *Ricketts v Ricketts* (1891) 64 LT 263 at 265. The power applies where the beneficiary is one of the trustees: *Chillingworth v Chambers* [1896] 1 Ch 685, CA. The beneficiary's interest may be impounded as against a person to whom it has been assigned subsequently to the breach of trust (*Bolton v Curre* [1895] 1 Ch 544 at 548–549), and as against the beneficiary's trustee in bankruptcy (*Fletcher v Collis* [1905] 2 Ch 24 at 39, CA).

8 A trustee does not waive his right to the indemnity by declining to take a mortgage of the beneficiary's interest as security for the breach of trust at the time of its commission: *Bolton v Curre* [1895] 1 Ch 544 at 549–550.

9 An order for an indemnity may be made in favour of a former trustee, as the right does not depend upon the claimant having possession of the trust fund: *Re Pauling's Settlement Trusts, Younghusband v Coutts & Co (No 2)* [1963] Ch 576, [1963] 1 All ER 857.

10 Trustee Act 1925 s 62(1) (amended by the Married Women (Restraint upon Anticipation) Act 1949 s 1(4), Sch 2). The Trustee Act 1925 s 62 (as amended) applies to breaches of trust whenever committed: see s 62(2). It replaces enactments which sanctioned and extended the jurisdiction in those cases which had been previously exercised by courts of equity (*Trafford v Boehm* (1746) 3 Atk 440 at 444 per Lord Hardwicke LC; *Raby v Ridehalgh* (1855) 7 De GM & G 104; *Sawyer v Sawyer* (1885) 28 ChD 595 at 598, CA, per Chitty J), but had not curtailed the previously existing rights and remedies of trustees, or altered the law or the principles on which it is to be administered, except by giving greater power to the court (*Re Somerset, Somerset v Earl Poulett* [1894] 1 Ch 231 at 275, CA, per Davey LJ; *Bolton v Curre* [1895] 1 Ch 544 at 549 per Romer J; *Fletcher v Collis* [1905] 2 Ch 24 at 34–35, CA, per Romer LJ).

1132. Procuring breach of trust. Where one of several beneficiaries procures trust money to be improperly laid out or to be paid away under a fraudulent appointment by him, or otherwise himself commits a breach of the terms of the trust, and part of the trust estate is consequently lost, the other beneficiaries are entitled as against him to have their shares made good out of his share of what is ultimately recovered[1], or out of any benefit which he has himself derived from the breach of trust[2]. A beneficiary who induces a trustee to commit a breach of trust is primarily liable for it, and will be ordered to recoup to the trustee the amount which the trustee has been required to make good to the trust estate[3].

1 *Phillipson v Gatty, Gatty v Phillipson* (1850) 2 H & Tw 459. As to the position where the beneficiary is also trustee see paras 1091, 1129 ante. The other beneficiaries have no claim on the beneficiary's share in a fund held under another trust: *Edgar v Plomley* [1900] AC 431, PC.

2 *Greenwood v Wakeford* (1839) 1 Beav 576; *Williams v Allen (No 2)* (1863) 32 Beav 650; *Re Deane, Bridger v Deane* (1889) 42 ChD 9, CA.

3 *Trafford v Boehm* (1746) 3 Atk 440 at 444; *Keays v Lane* (1869) IR 3 Eq 1.

1133. Overpayment. Where a beneficiary receives from the trustee more than he is entitled to, whether in respect of capital or income, he may be liable to refund to the trust estate the excess which ought not to have been paid to him[1]. So far as it is capable of being identified or disentangled, money or property wrongly paid or transferred to a beneficiary or the money or property into which it has been converted may be followed and recovered, unless it has come into the hands of a purchaser for valuable consideration without notice of the trust[2]. Where possible, the court corrects errors of account between a trustee and a beneficiary, and, if the administration is out of court, directs the appropriate adjustment[3]. In administering the estate the court will cause the amount wrongly paid to the beneficiary in respect of one interest to be deducted from any other shares in the estate to which he is entitled[4]. A trustee who overpays a beneficiary can thus adjust accounts by retaining the overpayments out of other interests of the beneficiary, such as future income as it arises[5]. It seems, however, that a trustee who is also a beneficiary is not entitled to recover from the other beneficiaries amounts which he has overpaid to them in excess of their share[6].

In the administration of the estate of a deceased person an unpaid or underpaid creditor, legatee or next of kin may bring a direct claim in equity against the person to whom the estate has been wrongfully distributed[7]. It is uncertain whether this direct claim in equity lies in similar circumstances in the execution of a trust as opposed to the administration of the estate of a deceased person[8]. There is no reported English case where a trustee has directly recovered from an overpaid beneficiary and it has generally been assumed that he cannot do so. However, it would appear that a claim could now perhaps be made by an application of the law of restitution based on the principle of unjust enrichment, under which, it is submitted, as between trustees and a person who is wrongly paid, the trustees may have a right to recover the payment if it was paid under a mistake, whether of fact or law, subject to the defences available in the law of restitution such as the defence of change of position[9].

1 *Brooksbank v Smith* (1836) 2 Y & C Ex 58; *Fuller v Knight* (1843) 6 Beav 205 at 210; *M'Gachen v Dew, Dew v M'Gachen* (1851) 15 Beav 84 at 90 per Romilly MR; *Baynard v Woolley, Wearing v Baynard* (1855) 20 Beav 583; *Re Smith's Estate, Clifford v Washington* (1879) 48 LJ Ch 205; *Re Brown, Dixon v Brown* (1886) 32 ChD 597; *Re Robinson, McLaren v Public Trustee* [1911] 1 Ch 502 at 513 per Warrington J.

2 See eg *Re Diplock, Diplock v Wintle* [1948] Ch 465, [1948] 2 All ER 318, CA; affd sub nom *Ministry of Health v Simpson* [1951] AC 251, [1950] 2 All ER 1137, HL. See also para 1134 ante; and EQUITY vol 16(2) (Reissue) para 861 et seq.

3 *Re Musgrave, Machell v Parry* [1916] 2 Ch 417 (following *Re Ainsworth, Finch v Smith* [1915] 2 Ch 96). An honest mistake of law, not being a mistake of public law, does not exclude this relief: *Re Musgrave, Machell v Parry* supra. See also *Re Wooldridge, Wooldridge v Coe* [1920] WN 78. See further MISTAKE vol 32 (2005 Reissue) paras 9–10.

4 *Dibbs v Goren* (1849) 11 Beav 483; *Re Robinson, McLaren v Public Trustee* [1911] 1 Ch 502. It makes no difference that the other shares have been assigned for a valuable consideration: *Dibbs v Goren* supra; *Re Brown, Dixon v Brown* (1886) 32 ChD 597.

5 *Livesey v Livesey* (1827) 3 Russ 287; *Re Musgrave, Machell v Parry* [1916] 2 Ch 417; *Re Reading, Edmonds v Reading* [1916] WN 262.

6 *Re Horne, Wilson v Cox Sinclair* [1905] 1 Ch 76. However, this case has been criticised and held to lay down no rule of general application: see *Re Ainsworth, Finch v Smith* [1915] 2 Ch 96; *Re Reading, Edmonds v Reading* (1916) 60 Sol Jo 655. See also EXECUTORS AND ADMINISTRATORS vol 17(2) (Reissue) para 516 et seq.

7 *Ministry of Health v Simpson* [1951] AC 251, [1950] 2 All ER 1137, HL. See also EQUITY vol 16(2) (Reissue) para 865.

8 See *Ministry of Health v Simpson* [1951] AC 251 at 265–266, [1950] 2 All ER 1137 at 1140, HL, per Lord Simonds; but see also *GL Baker Ltd v Medway Building and Supplies Ltd* [1958] 3 All ER 540, [1958] 1 WLR 1216, CA; *Eddis v Chichester Constable* [1969] 1 All ER 546, [1969] 1 WLR 385 (affd without reference to this point [1969] 2 Ch 345, [1969] 2 All ER 912, CA); *Butler v Broadhead* [1975] Ch 97, [1974] 2 All ER 401; *Re J Leslie Engineers Co Ltd* [1976] 2 All ER 85, [1976] 1 WLR 292.

9 *Kleinwort Benson Ltd v Lincoln City Council* [1999] 2 AC 349, [1998] 4 All ER 513, HL; *Nurdin and Peacock plc v DB Ramsden & Co Ltd* [1999] 1 All ER 941, [1999] 1 WLR 1249. See also *Lipkin Gorman (a firm) v Karpnale Ltd* [1991] 2 AC 548, [1992] 4 All ER 512, HL. As to the defences available in the law of restitution see RESTITUTION vol 40(2) (Reissue) para 1465 et seq; and as to the defence of change of position see RESTITUTION vol 40(2) (Reissue) paras 1466–1469.

(4) IDENTIFYING AND CLAIMING TRUST PROPERTY

1134. Following and tracing trust property in general. The processes of following and tracing are distinct, though the distinction has not always been made. Following is the process of following the same asset as it moves from hand to hand. Tracing is the process of identifying a new asset as the substitute for the old. Where one asset is exchanged for another, a claimant can elect whether to follow the original asset into the hands of the new owner or to trace its value into the new asset in the hands of the same owner, though he cannot, of course, recover twice. In practice his choice is often dictated by circumstances[1]. A beneficiary of a trust is entitled to a continuing beneficial interest not merely in the trust property but in its traceable proceeds also, and his interest binds every one who takes the property or its traceable proceeds except a bona fide purchaser for value of the legal estate without notice or a person who claims through such a purchaser[2].

The successful completion of a tracing exercise may be preliminary to a personal claim or a proprietary one, to the enforcement of a legal right or an equitable one[3]. The right is not restricted to tangible assets, but applies equally to a thing in action[4].

Notwithstanding criticism of the current state of the law[5] it remains a prerequisite of the right to trace in equity that there must be a fiduciary relationship which calls the equitable jurisdiction into being[6]. In the case of beneficiaries tracing misappropriated trust property, whether into the hands of the trustee or a third party, the requirement for a fiduciary relationship will always be satisfied[7]. The requirement is also satisfied in relation to unauthorised profits which are held on constructive trust[8]. In cases of commercial fraud the embezzlement of a company's funds almost invariably involves a

breach of fiduciary duty on the part of the company's employees or agents; furthermore, there is no requirement for an initial fiduciary relationship since the payment to the defendant itself gives rise to a fiduciary relationship[9]. It has been held that money paid as a result of a mistake of fact is traceable in equity because the payer retains an equitable property interest in it and the payee is subjected to a fiduciary duty to respect that interest[10]. Where money is obtained by fraud otherwise than under a legally enforceable contract no beneficial interest passes to the fraudster thereby enabling the claimant to trace in equity[11]. Money paid under a void contract is not subject to a resulting trust so as to give rise to a right to trace in equity[12]. Upon rescission of a contract for fraudulent misrepresentation the beneficial title which passed to the representor under the contract revests in the representee, at least to the extent necessary to support an equitable tracing claim[13]. In the case of non-contractual payments made out of a company's funds in breach of fiduciary duty, it is irrelevant whether the payments are void or voidable; equitable tracing is available on the basis of constructive trust against a defendant who has received notice of the company's claim[14].

1 *Foskett v McKeown* [2001] 1 AC 102 at 127, [2000] 3 All ER 97 at 120, HL, per Lord Millett.

2 *Foskett v McKeown* [2001] 1 AC 102 at 108–109, [2000] 3 All ER 97 at 102, HL, per Lord Browne-Wilkinson. In this case at 127–130 and 119–122, Lord Millett refers simply to a bona fide purchaser for value without notice, but this may well be shorthand for the rule as stated by Lord Browne-Wilkinson. See also *Re Diplock, Diplock v Wintle* [1948] Ch 465 at 540, [1948] 2 All ER 318 at 357, CA (affd sub nom *Ministry of Health v Simpson* [1951] AC 251, [1950] 2 All ER 1137, HL); and EQUITY vol 16(2) (Reissue) para 861 et seq. Interim orders for disclosure may be made to assist in establishing a claim to trace or follow trust property: *Banker's Trust Co v Shapira* [1980] 3 All ER 353, [1980] 1 WLR 1274, CA. It may be provided by or under statute that trust property is to be transferred free of any trust: see eg the National Insurance and Civil Service (Superannuation) Rules 1948, SI 1948/2434, r 1; and CONSTITUTIONAL LAW AND HUMAN RIGHTS vol 8(2) (Reissue) para 584. As to the liability of the bank in relation to dealings with trust money see BANKING vol 3(1) (2005 Reissue) paras 153–154. The transmission of a claimant's property rights from one asset to another is part of the law of property, not of the law of unjust enrichment; the claimant succeeds if at all by virtue of his own title, not to reverse unjust enrichment. Cf *Boscawen v Bajwa* [1995] 4 All ER 769 at 776, [1996] 1 WLR 328 at 334, CA, per Millett LJ. As to unjust enrichment see further RESTITUTION vol 40(2) (Reissue) para 1310 et seq.

3 See *Foskett v McKeown* [2001] 1 AC 102 at 128, [2000] 3 All ER 97 at 120–121, HL, per Lord Millett. An equitable proprietary claim will generally be made by a person who claims beneficial ownership; but see *Bracken Partners Ltd v Gutteridge* [2003] EWCA Civ 1875, [2004] 1 BCLC 377 (a person who is personally liable for the equitable wrongs of dishonest participation in breaches of fiduciary duty and thereby accountable in equity to the beneficial owner has a sufficient interest to bring proceedings to trace assets into the hands of another wrongful recipient).

4 *Agip (Africa) Ltd v Jackson* [1990] Ch 265, [1992] 4 All ER 385 (affd [1991] Ch 547, [1992] 4 All ER 451, CA); *Lipkin Gorman (a firm) v Karpnale Ltd* [1991] 2 AC 548, [1992] 4 All ER 512, HL; *Trustees of the Property of FC Jones & Sons (a firm) v Jones* [1997] Ch 159, [1996] 4 All ER 721, CA.

5 See *Bristol and West Building Society v Mothew (t/a Stapley & Co)* [1998] Ch 1 at 23, [1996] 4 All ER 698 at 716, CA, per Millett LJ; *Foskett v McKeown* [2001] 1 AC 102 at 128, [2000] 3 All ER 97 at 121, HL, per Lord Millett.

6 *Sinclair v Brougham* [1914] AC 398, 83 LJ Ch 465, HL (overruled on different grounds by *Westdeutsche Landesbank Girozentrale v Islington London Borough Council* [1996] AC 669, 2 All ER 961, HL); *Re Diplock* [1948] Ch 465, 2 All ER 318, CA. See also *Agip (Africa) Ltd v Jackson* [1991] Ch 547 at 566, [1992] 4 All ER 451 at 466, CA, per Fox LJ; *Boscawen v Bajwa* [1995] 4 All ER 769 at 777, [1996] 1 WLR 328 at 335, CA, per Millett LJ; *Jones FC & Sons v Jones* [1997] Ch 159, [1996] 4 All ER 721, CA (where the misappropriated money was traced at common law in the absence of any fiduciary relationship); *Foskett v McKeown* [2001] 1 AC 102 at 121, [2000] 3 All ER 97 at 128, HL, per Lord Millett; *Shalson v Russo* [2003] EWHC 1637 (Ch) at [104], [2005] Ch 281 at [104], [2005] 2 WLR 1213 at [104] per Rimer J; *Campden Hill Ltd v Chakrani* [2005] EWHC 911 (Ch) at [74], [2005] All ER (D) 238 (May) at [74] per Hart J ('the fiduciary relationship may arise either from a division of the legal and beneficial ownership in the monies sought to be traced or from the very nature of the relationship'). But see *Compagnie Noga D'Importation Et D'Exportation SA v Australia and New Zealand Banking Group Ltd (No 5)* [2005] EWHC 225 (Comm) at [16], [2005] All ER (D) 176 (Mar) at [16] per Langley J ('there are issues as to whether or not a fiduciary duty owed by the defendant to the claimant is in law an essential ingredient of a claim to trace').

7 See the text and note 1 supra.

8 *A-G for Hong Kong v Reid* [1994] 1 AC 324, [1994] 1 All ER 1, PC. See also *Daraydan Holdings v Solland International Ltd* [2004] EWHC 622 (Ch), [2005] Ch 119, [2005] 4 All ER 73. For a contrary view see *Lister v Stubbs* (1890) 45 Ch D 1; applied in *A-G's Reference (No 1 of 1985)* [1986] QB 491, [1986] 2 All ER 219.

9 See *Agip (Africa) Ltd v Jackson* [1990] Ch 265 at 290, [1992] 4 All ER 385 at 402 per Millett J; affd [1991] Ch 547, [1992] 4 All ER 451, CA.

10 *Chase Manhattan Bank NA v Israeli-British Bank (London) Ltd* [1981] Ch 105, [1979] 3 All ER 1025. However, see *Westdeutsche Landesbank Girozentrale v Islington London Borough Council* [1996] AC 669 at 714–715, [1996] 2 All ER 961 at 996, HL, where this reasoning was doubted by Lord Browne-Wilkinson who considered that the recipient did not become a trustee until learning of the mistake some two days after the receipt. See also *Papamichael v National Westminster Bank plc* [2002] 2 All ER (Comm) 60, [2002] 1 Lloyd's Rep 332.

11 *Halley v Law Society* [2003] EWCA Civ 97, 6 ITELR 40 (adopting the obiter analysis of Lord Browne-Wilkinson in *Westdeutsche Landesbank Girozentrale v Islington London Borough Council* [1996] AC 669 at 716, [1996] 2 All ER 961 at 997); applied in *Campden Hill Ltd v Chakrani* [2005] EWHC 911 (Ch), [2005] All ER (D) 238 (May). Lord Browne-Wilkinson's obiter dictum in the same passage of *Westdeutsche Landesbank Girozentrale v Islington London Borough Council* supra, that stolen moneys are traceable in equity on the basis that the thief holds on an immediate constructive trust for the victim, was doubted in *Shalson v Russo* [2003] EWHC 1637 (Ch) at [110], [2005] Ch 281 at [110], [2005] 2 WLR 1213 at [110] per Rimer J on the grounds that a thief ordinarily acquires no property in what he steals and the owner retains the legal and beneficial title.

12 *Westdeutsche Landesbank Girozentrale v Islington London Borough Council* [1996] AC 669, [1996] 2 All ER 961, HL (overruling *Sinclair v Brougham* [1914] AC 398, 83 LJ Ch 465, HL).

13 *Shalson v Russo* [2003] EWHC 1637 (Ch) at [121]–[127], [2005] Ch 281 at [121]–[127], [2005] 2 WLR 1213 at [121]–[127] per Rimer J. See also *Small v Attwood* (1832) You 507 at 533–538 per Lord Lyndhurst; *Banque Belge pour L'Etranger v Hambrouck* [1921] 1 KB 321, CA; *Lonrho Plc v Fayed (No 2)* [1991] 4 All ER 961 at 971–972, [1992] 1 WLR 1 at 11–12 per Millett J; *El Ajou v Dollar Land Holdings plc* [1993] 3 All ER 717 at 734 per Millett J; *Bank Tejarat v Hong Kong and Shanghai Banking Corpn (CI) Ltd* [1995] 1 Lloyd's Rep 239 at 248 per Tuckley J; *Re Goldcorp Exchange Ltd* [1995] 1 AC 74 at 102–104, [1994] 2 All ER 806 at 825–827, PC (explained in *Shalson v Russo* supra at [126] per Rimer J).

14 *Clark v Cutland* [2003] EWCA Civ 810, [2003] 4 All ER 733, CA (director made unauthorised payment of company funds into his pension scheme).

1135. Things in action. It is commonly said that money can be traced through a bank account. Strictly, of course, an account holder has no money at the bank. Money paid into a bank account belongs legally and beneficially to the bank and not to the account holder[1]. The bank gives value for it, and it is accordingly not usually possible to make the money itself the subject of an adverse claim[2]. Instead, a claimant normally sues the account holder rather than the bank and lays claim to the proceeds of the money in his hands. These consist of the debt or part of the debt due to him from the bank[3]. Similarly, premiums may be traced into an insurance policy, that is the bundle of rights to which the policyholder is entitled in return for the premiums. These rights together constitute a thing in action, and that thing in action represents the traceable proceeds of the premiums. When the policy matures, the insurance money represents the traceable proceeds of the policy and hence indirectly of the premiums[4].

1 *Space Investments Ltd v Canadian Imperial Bank of Commerce Trust Co (Bahamas) Ltd* [1986] 3 All ER 75 at 76, [1986] 1 WLR 1072 at 1073, PC.

2 But as to the position where the bank is on notice of the claimant's right to the money at the time of the payment in see *Shalson v Russo* [2003] EWHC 1637 (Ch), [2005] Ch 281, [2005] 2 WLR 1213.

3 *Foskett v McKeown* [2001] 1 AC 102, [2000] 3 All ER 97, HL. See also *Lipkin Gorman (a firm) v Karpnale Ltd* [1991] 2 AC 548, [1992] 4 All ER 512, HL.

4 *Foskett v McKeown* [2001] 1 AC 102, [2000] 3 All ER 97, HL.

1136. Clean substitutions. Where a trustee wrongfully misappropriates trust property and uses it exclusively to acquire other property for his own benefit, the beneficiary is entitled at his option either to assert his beneficial ownership of the

proceeds or to bring a personal claim against the trustee for breach of trust and enforce an equitable lien or charge on the proceeds to secure restoration of the trust fund[1].

1 See *Foskett v McKeown* [2001] 1 AC 102 at 130, [2000] 3 All ER 97 at 122, HL, per Lord Millett.

1137. Mixed substitutions. In the case of a mixed substitution, that is where a trustee wrongfully uses trust money to provide part only of the cost of acquiring an asset, the beneficiary is entitled at his option either to claim a proportionate share of the asset or to enforce a lien upon it to secure his personal claim against the trustee for the amount of the misapplied money. It does not matter whether the trustee mixed the trust money with his own in a single fund before using it to acquire the asset, or made separate payments (whether simultaneously or sequentially) out of the differently owned funds to acquire a single asset. It is not necessary for the claimant to show in addition that his property has contributed to any increase in the value of the new asset. A beneficiary's right to claim a lien is, however, available only against a wrongdoer and those deriving title under him otherwise than for value. Innocent contributors must be treated equally between themselves[1].

1 See *Foskett v McKeown* [2001] 1 AC 102 at 130–132, [2000] 3 All ER 97 at 123–124, HL, per Lord Millett. See also *Re Tilley's Will Trusts, Burgin v Croad* [1967] Ch 1179, [1967] 2 All ER 303; and EQUITY vol 16(2) (Reissue) paras 861–866. As to the liability of a trustee who mixes trust money with his own money to pay interest see para 1106 post. Similar principles apply to following into physical mixtures. If a pro rata division is excluded, the beneficiary takes the whole, and there is no question of confining him to a lien: *Lupton v White, White v Lupton* (1808) 15 Ves 432; *Frith v Cartland* (1865) 2 Hem & M 417 at 420 per Page Wood V-C; *Sandeman & Sons v Tyzack and Branfoot Steamship Co Ltd* [1913] AC 680 at 695, HL, per Lord Moulton; *Jones v DeMarchant* (1916) 28 DLR 561; *Foskett v McKeown* supra. See also *Brinks Ltd v Abu-Saleh* [1995] 4 All ER 65, [1995] 1 WLR 1478, where it was said to be settled law that if a trustee mixes trust assets with his own in such a way that they cannot be sufficiently distinguished and treated separately, to the extent that it is not possible to distinguish them, they belong to the trust. The position is different for innocent volunteers: see *Re Diplock, Diplock v Wintle* [1948] Ch 465, [1948] 2 All ER 318, CA (where the proprietary claim was not available against an innocent volunteer who had expended trust money on the alteration and improvements of its own assets (with the result that the trust money could not be disentangled) on the grounds that it would work an injustice to allow it); affd sub nom *Ministry of Health v Simpson* [1951] AC 251, [1950] 2 All ER 1137, HL.

1138. Tracing through bank accounts. Equity has developed rules of identification in relation to funds mixed in a bank account. Where a trustee mixes his own money[1] with trust money before spending some of the mixed fund, the beneficiary will be entitled to claim against the balance on the account on the basis that the trustee is presumed to spend his own money first[2]. If, however, the balance on the account is insufficient to meet the claim, the beneficiary may claim a lien over any asset bought out of the mixed fund[3].

Tracing is impossible through an overdrawn account, whether an account already overdrawn at the time the relevant money was paid into it (except in so far as it exceeds the amount of the overdraft) or an account which was then in credit but subsequently became overdrawn[4]. In any case tracing is only possible to such an amount of the balance ultimately standing to the credit of the trustee as does not exceed the lowest balance of the account during the intervening period[5].

1 The position is different where the money is mixed with that of another trust fund or other innocent volunteer: see *Re Clayton's Case, Baring v Noble* (1816) 1 Mer 572 (first in, first out rule); *Barlow Clowes International Ltd v Vaughan* [1992] 4 All ER 22, CA (rule displaced where parties knew their funds were to be pooled); *Russell-Cooke Trust Co v Prentis* [2002] EWHC 2227 (Ch), [2003] 2 All ER 478 (rule displaced by even a slight counterweight).

2 *Re Hallett's Estate, Knatchbull v Hallett* (1879) 13 Ch 696.

3 *Re Oatway, Hertslet v Oatway* [1903] 2 Ch 356; *Re Tilley's Will Trusts, Burgin v Croad* [1967] Ch 1179 at 1185, [1967] 2 All ER 303 at 308. There is no direct authority as to whether the beneficiaries may claim against assets bought out of the mixed fund where there is a sufficient balance on the account to meet their claim.

4 *Bishopsgate Investment Management Ltd (in liquidation) v Homan* [1995] Ch 211, [1995] 1 All ER 347, CA. The consolidation of an overdrawn current account with deposit accounts in order to create a credit balance for the purpose of equitable tracing has been rejected: *Box v Barclays Bank* [1998] Lloyd's Rep 185; *Shalson v Russo* [2003] EWHC 1637 (Ch), [2005] Ch 281,[2005] 2 WLR 1213.

5 *Bishopsgate Investment Management Ltd (in liquidation) v Homan* [1995] Ch 211, [1995] 1 All ER 347, CA; *James Roscoe (Bolton) Ltd v Winder* [1915] 1 Ch 62. As to the possibility of tracing into an asset acquired with money from an overdrawn account where misappropriation from a trust fund enables the borrowing for the acquisition to be repaid, sometimes called 'backward tracing', see *Bishopsgate Investment Management Ltd (in liquidation) v Homan* supra; *Jyske Bank (Gibraltar) Ltd v Spjeldnaes* (23 July 1997, unreported); *Shalson v Russo* [2003] EWHC 1637 (Ch), [2005] Ch 281, [2005] 2 WLR 1213.

5. CONFLICT OF LAWS

1139. In general. The Recognition of Trusts Act 1987 incorporates into the law of the United Kingdom the major provisions of the Convention on the law applicable to trusts and on their recognition[1]. The purpose of the convention is to establish common principles between states on the law of trusts and to deal with the most important issues concerning their recognition. Trusts are not in general a concept familiar to the civil law countries. Their systems are not designed to accept that one individual may hold assets on behalf of another. The Recognition of Trusts Act 1987 provides the machinery for identifying the law of which state is to govern any particular trust and provides rules for the recognition of that trust in accordance with that governing law. The Act involves little change to the substance of the existing law of the United Kingdom but it serves to clarify a number of issues where United Kingdom law has not yet been fully developed[2].

1 Ie the Convention on the law applicable to trusts and on their recognition (Cmnd 9494) adopted in draft form by the Hague Conference on Private International Law on 20 October 1984 and signed on behalf of the United Kingdom on 10 January 1986. The Convention is set out in the Schedule to the Recognition of Trusts Act 1987. As to the Recognition of Trusts Act 1987 see CONFLICT OF LAWS vol 8(3) (Reissue) para 424 et seq.

2 See 482 HL Official Report (5th series), 4 December 1986, cols 939–940.

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